

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF KENTWOOD		County KENT
Audit Date JUNE 30, 2004	Opinion Date DECEMBER 17, 2004	Date Accountant Report Submitted to State: DECEMBER 27, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* of the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

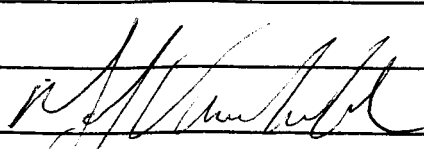
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

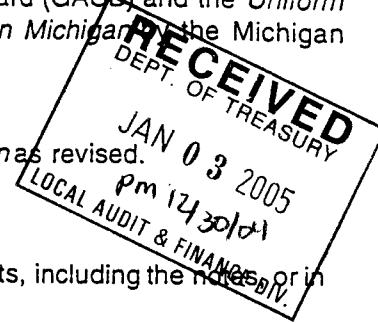
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address PO BOX 6547	City GRAND RAPIDS	State MI	ZIP 49516-6547
Accountant Signature 			



CITY OF KENTWOOD

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

INDEPENDENT AUDITORS' REPORT

December 17, 2004

Honorable Mayor and City Commissioners
Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan, as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kentwood, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kentwood, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2004, on our consideration of the City of Kentwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the pension information on pages 48-49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kentwood's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the City of Kentwood's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Rehmann Lohman

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

As management of the City of Kentwood, we offer readers of the City of Kentwood financial statements this narrative overview and analysis of the financial activities of the City of Kentwood for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- 2004 was a year of significant capital investment for the City. Projects include completion of the Department of Public Works building project and initiation of the City Hall renovation project. These projects were funded from the proceeds of general obligation limited tax bonds sold on October 1, 2003. The renovation project included moving City Hall staff to a temporary location for the duration of the project.
- The Department of Public Works received City Commission approval to add staff in connection with the assumption of street and sewer maintenance responsibilities from Kent County.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kentwood financial statements. The City of Kentwood basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Kentwood finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Kentwood assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Kentwood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kentwood include district court, public safety, highways, engineering services, public works, recreation and culture, inspections and general administrative services. The business-type activities of the City of Kentwood include water and sewer services.

The government-wide financial statements include not only the City of Kentwood itself (known as the *primary government*), but also the legally separate City of Kentwood Building Authority – a component unit, for which the City of Kentwood is financially accountable. Financial information for this *component unit* is blended with the City as both a capital projects and a debt service fund.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kentwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kentwood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Kentwood maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police and Fire Millage, Drain, and Major Street Special Revenue Funds and Construction and General Capital Projects Funds, each of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Kentwood adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

Proprietary funds. The City of Kentwood maintains 2 different proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Kentwood uses enterprise funds to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer activities, both of which are considered to be major funds of the City of Kentwood.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Kentwood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis and required pension information and continuing disclosure information. Required supplementary information regarding the pension information can be found on pages 48 and 49 of this report and continuing disclosure information can be found on pages 70-78.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 50-68 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Kentwood, assets exceeded liabilities by \$82,725,784 at the close of the most recent fiscal year.

By far the largest portion of the City of Kentwood's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Kentwood uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Kentwood investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Kentwood Net Assets

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Current and other assets	\$58,267,687	\$54,972,110	\$5,557,964	\$ 5,382,502	\$63,825,651	\$60,354,612
Capital assets	36,956,214	31,229,339	9,074,618	9,397,213	46,030,832	40,626,552
Total assets	<u>95,223,901</u>	<u>86,201,449</u>	<u>14,632,582</u>	<u>14,779,715</u>	<u>109,856,483</u>	<u>100,981,164</u>
Long-term liabilities outstanding	20,225,849	10,171,482	-	-	20,225,849	10,171,482
Other liabilities	6,015,468	6,071,527	889,382	707,839	6,904,850	6,779,366
Total liabilities	<u>26,241,317</u>	<u>16,243,009</u>	<u>889,382</u>	<u>707,839</u>	<u>27,130,699</u>	<u>16,950,848</u>
Net assets:						
Invested in capital assets,						
net of related debt	22,811,995	22,970,302	9,074,618	9,397,213	31,886,613	32,367,515
Restricted	39,714,157	32,676,769	-	-	39,714,157	32,676,769
Unrestricted	<u>6,456,432</u>	<u>14,311,369</u>	<u>4,668,582</u>	<u>4,674,663</u>	<u>11,125,014</u>	<u>18,986,032</u>
Total net assets	<u>\$68,982,584</u>	<u>\$69,958,440</u>	<u>\$13,743,200</u>	<u>\$14,071,876</u>	<u>\$82,725,784</u>	<u>\$84,030,316</u>

Net assets of governmental funds at year-end have been restricted primarily by funding sources for major, local and municipal streets, drains and street lighting. Of the net asset balance at year end, 38% is invested in capital assets net of related debt, 39% is restricted for other purposes and 23% is unrestricted and available for general City operations.

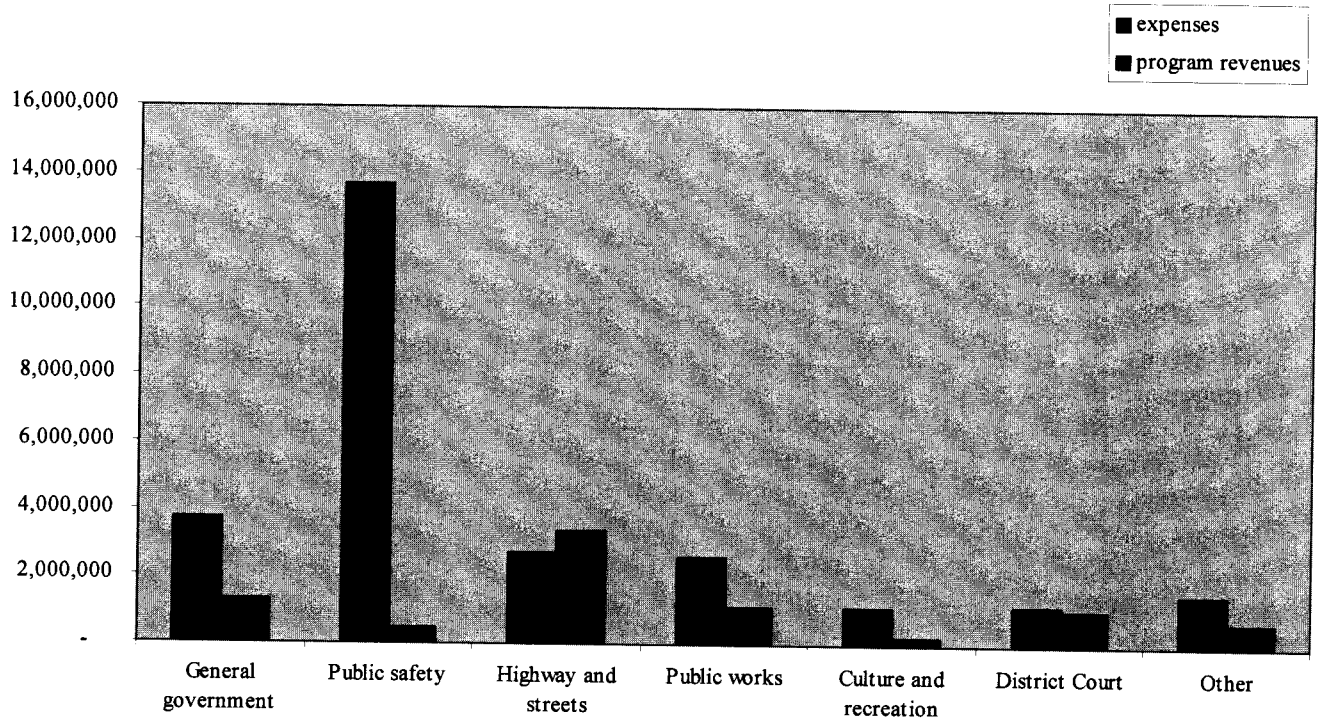
**City of Kentwood
Changes in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Revenue:						
Program revenue:						
Charges for services	\$ 4,572,526	\$5,761,822	\$4,202,161	\$4,045,786	\$ 8,774,687	\$6,807,608
Operating grants and contributions	3,755,810	3,083,287	-	-	3,755,810	3,083,287
General revenue:						
Property taxes	12,998,932	13,126,371	-	-	12,998,932	13,126,371
State shared revenue	3,521,716	3,919,974	-	-	3,521,716	3,919,974
Other	651,479	1,444,782	47,640	190,342	699,119	1,635,124
Total revenue	<u>25,500,463</u>	<u>27,336,236</u>	<u>4,249,801</u>	<u>4,236,128</u>	<u>29,750,264</u>	<u>31,572,364</u>
Governmental activities:						
General government	3,715,626	3,555,389	-	-	3,715,626	3,555,389
Public safety	13,686,039	13,421,585	-	-	13,686,039	13,421,585
Highways	2,721,444	1,464,502	-	-	2,721,444	1,464,502
Public works	2,623,655	3,027,860	-	-	2,623,655	3,027,860
Engineering services	419,639	164,168	-	-	419,639	164,168
District court	1,175,162	1,148,104	-	-	1,175,162	1,148,104
Inspections	548,459	507,740	-	-	548,459	507,740
Culture and recreation	1,114,487	1,071,220	-	-	1,114,487	1,071,220
Interest on long-term debt	596,505	367,224	-	-	596,505	367,224
Indirect expense allocation	(124,697)	-	124,697	-	-	-
Total expenses – governmental activities	<u>26,476,319</u>	<u>24,727,792</u>	<u>124,697</u>	<u>-</u>	<u>26,601,016</u>	<u>24,727,792</u>
Business-type activities:						
Sewer	-	-	2,467,996	2,102,194	2,467,996	2,102,194
Water	-	-	1,985,784	1,822,548	1,985,784	1,822,548
Total expenses business-type activities	<u>-</u>	<u>-</u>	<u>4,453,780</u>	<u>3,924,742</u>	<u>4,453,780</u>	<u>3,924,742</u>
Total expenses	<u>26,476,319</u>	<u>24,727,792</u>	<u>4,578,477</u>	<u>3,924,742</u>	<u>31,054,796</u>	<u>28,652,534</u>
Change in net assets	(975,856)	2,608,444	(328,676)	311,386	(1,304,532)	2,919,830
Net assets – beginning of year	<u>69,958,440</u>	<u>67,349,996</u>	<u>14,071,876</u>	<u>13,589,396</u>	<u>84,030,316</u>	<u>80,939,392</u>
Net assets – end of year	<u><u>\$68,982,584</u></u>	<u><u>\$69,958,440</u></u>	<u><u>\$13,743,200</u></u>	<u><u>\$14,071,876</u></u>	<u><u>\$82,725,784</u></u>	<u><u>\$84,030,316</u></u>

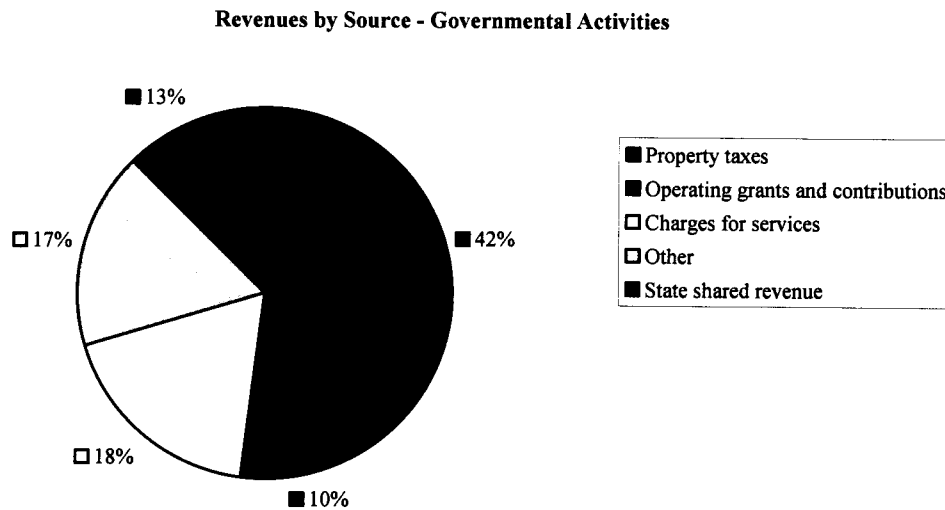
Governmental activities. Governmental activities decrease the City's net assets by \$975,856, accounting for 75% percent of the total decline in the net assets of the City. Key elements of this increase are as follows:

- The timing difference between construction of capital assets and depreciation of the assets over their estimated useful lives.

Expenses and Program Revenues - Governmental Activities



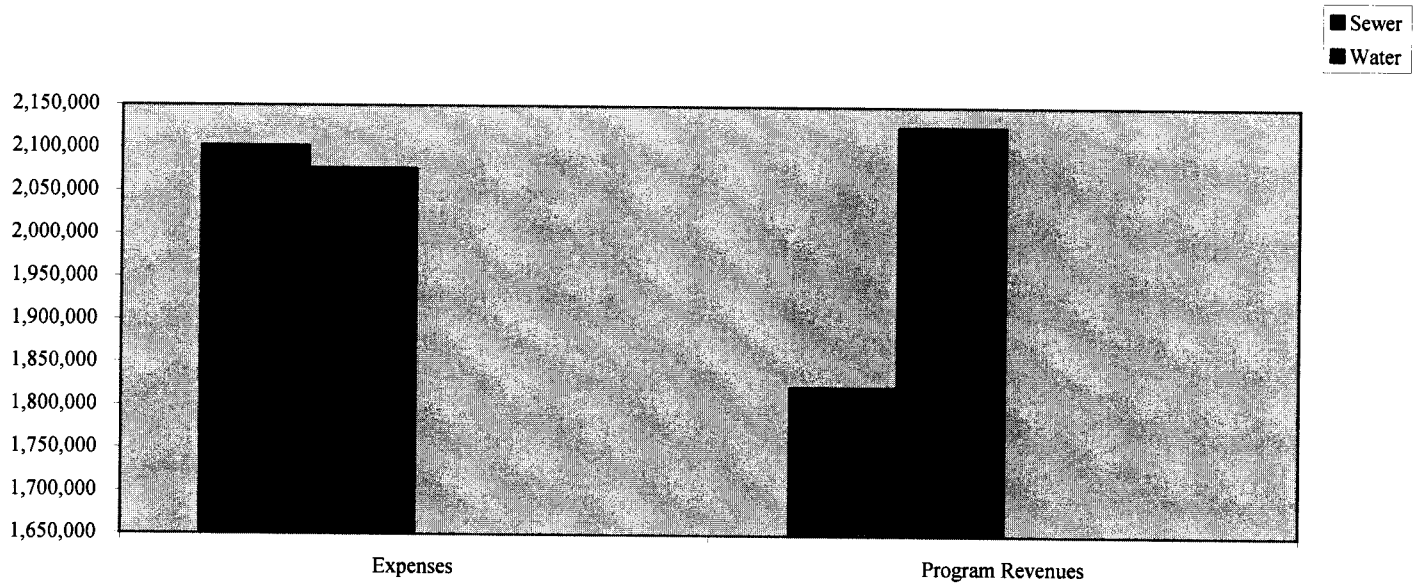
Revenues by Source - Governmental Activities



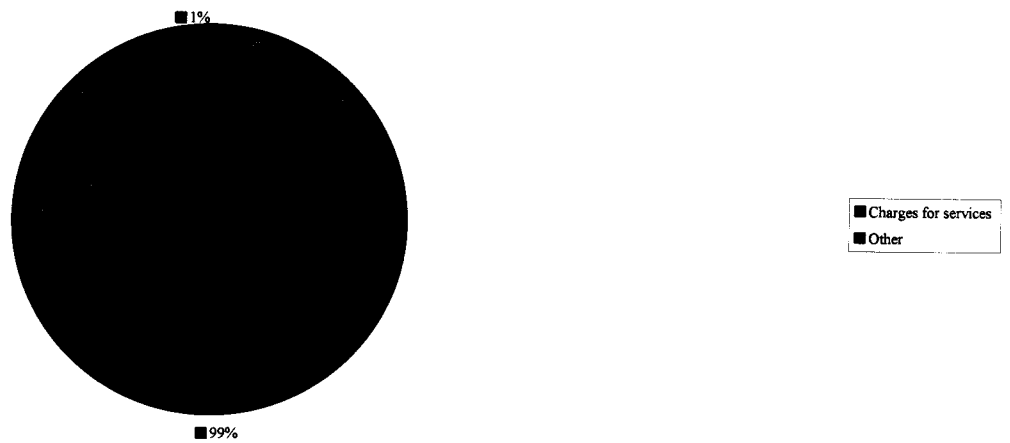
Business-type activities. Business-type activities decreased the City's net assets by \$328,676, accounting for a 25% percent of the total change in the government's net assets for the current year. Key elements of this decrease are as follows:

- Expenses increased 3%, or \$101,895, because of inflation.
 - Increased maintenance and treatment costs for both water and sewer activities.
-

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Kentwood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Kentwood *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Kentwood financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Kentwood's governmental funds reported combined ending fund balance of \$51,671,606, an increase of \$2,429,547 compared with prior year. This increase was the result of a bond issue exceeding related expenditures during the year.

The general fund is the chief operating fund of the City of Kentwood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,829,435 while total fund balance reached \$4,666,956. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the City of Kentwood's general fund increased by \$8,301 during the current fiscal year.

Proprietary funds. The City of Kentwood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$2,573,466 and \$2,095,116, respectively. The total changes in net assets for these funds was \$36,593 and \$(365,269), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kentwood's business-type activities.

General Fund Budgetary Highlights

- The General Fund budget was amended to provide funding for additional Department of Public Works staffing in connection with the assumption of street and sewer maintenance responsibilities from Kent County. There were no other differences between the original budget and the final amended budget for 2004.

Capital Asset and Debt Administration

Capital assets. The City of Kentwood's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$46,030,832 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the City of Kentwood's investment in capital assets for the current fiscal year was \$5,404,280.

Major capital asset events during the current fiscal year included the following:

- Initiation of the City Center (City Hall) Renovation
- Completion of the Department of Public Works Building.

City of Kentwood Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 2,124,960	\$ 60,949	\$ 2,185,909
Construction in progress	2,521,705	-	2,521,705
Building, equipment and infrastructure	<u>32,309,549</u>	<u>9,013,669</u>	<u>41,323,218</u>
Total	<u>\$36,956,214</u>	<u>\$9,074,618</u>	<u>\$46,030,832</u>

Additional information on the City of Kentwood capital assets can be found in note 5 on pages 40 and 41 of this report.

Long-term debt.

City of Kentwood Outstanding Obligations

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 18,025,000	\$ -	\$ 18,025,000
Other obligations	<u>2,200,849</u>	<u>-</u>	<u>2,200,849</u>
Total	<u>\$20,225,849</u>	<u>\$ -</u>	<u>\$20,225,849</u>

During the year the City issued new debt of \$9,980,000 and paid approximately \$505,000 of principal off on debt outstanding at July 1, 2003.

The City of Kentwood has a AA rating from both Standard & Poor's and Fitch. For the bond sale on October 1, 2003, it was beneficial to purchase bond insurance, which resulted in the bond issue being AAA rated with the insurance.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of the entity's total State Equalized Value. The current debt limitation for the City of Kentwood is \$199,789,575. At year end, the City of Kentwood, the City's debt outstanding was \$18,025,000, leaving a legal debt margin of \$181,764,575.

Additional information on the City of Kentwood long-term obligations can be found in note 8 on pages 45 and 46 of this report.

Economic Factors and Next Year's Budgets and Rates

Revenues

Property Taxes – The General Fund's budgeted property tax, its largest revenue source, is projected to increase 1.96%. The taxable value of existing property, not affected by transfer of ownership or construction of additions, was limited by State Law to the Consumer Price Index of 2.3%. The difference between 2.3% and 1.96% was the result of construction, ownership transfers, personal property acquisitions and property value changes. The millage rate used to calculate property tax billings did not change from the prior year. The impact of recent Michigan Tax Tribunal judgments has been considered in the calculation of the property tax revenue budget.

State Shared Revenue – The General Fund's budgeted state shared revenue, its second largest revenue source, when compared to the FY 2004 budget, is projected to decrease 7.42%. The FY 2005 budget includes state shared revenue calculated using current estimates provided by the State of Michigan, which includes \$378,793 categorized as statutory revenue sharing.

Transfer from Other Funds – This revenue was first budgeted in FY 2000 with the change to collect all of the police and fire millage in the Police and Fire Millage Fund. The amount transferred is calculated based on the Police and Fire Department budgets reduced by the contribution (\$4,928,400) the City was making toward police and fire operations at the time the April 1999 millage increase was adopted.

Expenditures

Although the General Fund expenditures are budgeted to increase 4.51%, additional factors were considered in the preparation of the budget, as follows:

- Compensation and employee benefits for City employees are estimated and included in the FY 2005 budget using provisions in completed collective bargaining agreements. Two of the four employee bargaining unit agreements expired on June 30, 2004, and negotiations continue with these units.

- Staffing changes (a net increase of 3.37 full-time equivalents) have been included in the budget.
- The funding of the City's capital needs, through transfers to the Property and Building Fund and Fire Equipment Escrow Fund, is included in the FY 2005 budget. The amount of transfer has fluctuated from year to year based upon availability of resources at the end of each year. The FY 2004 budget included \$310,000 for this purpose, while the amount budgeted for FY 2005 is \$360,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Kentwood finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Thomas H. Chase, Finance Director, City of Kentwood, P.O. Box 8848, Kentwood, MI 49518-8848.

BASIC FINANCIAL STATEMENTS

CITY OF KENTWOOD
STATEMENT OF NET ASSETS
JUNE 30, 2004

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
Assets			
Cash and pooled investments	\$ 50,878,725	\$ 4,741,502	\$ 55,620,227
Accounts receivables	3,262,737	805,483	4,068,220
Special assessments receivable	913,854	-	913,854
Loans receivable	296,139	-	296,139
Due from other governments	2,310,330	-	2,310,330
Prepaid items and other assets	546,822	10,979	557,801
Inventory	8,972	-	8,972
Deposits	50,108	-	50,108
Capital assets, net			
Land	2,124,960	60,949	2,185,909
Construction in progress	2,521,705	-	2,521,705
Buildings, equipment and infrastructure, net	32,309,549	9,013,669	41,323,218
Total assets	95,223,901	14,632,582	109,856,483
Liabilities			
Accounts payable and accrued expenses	1,657,337	889,382	2,546,719
Customer deposits	149,327	-	149,327
Due to governments	2,793,954	-	2,793,954
Deferred revenue	572,025	-	572,025
Accrued wages	842,825	-	842,825
Noncurrent liabilities:			
Due within one year	1,010,000	-	1,010,000
Due in more than one year	19,215,849	-	19,215,849
Total liabilities	26,241,317	889,382	27,130,699
Net Assets			
Invested in capital assets, net of related debt	22,811,995	9,074,618	31,886,613
Restricted for:			
Police and fire	4,404,871	-	4,404,871
Drains	7,180,161	-	7,180,161
Major Street	8,404,098	-	8,404,098
Economic development	850,318	-	850,318
Housing commission	213,161	-	213,161
Parks	715,565	-	715,565
Street lighting	2,338,343	-	2,338,343
Landfill remediation	494,690	-	494,690
Building authority debt	911	-	911
Building authority construction	3,880,781	-	3,880,781
Municipal streets	4,569,884	-	4,569,884
Capital Projects	3,880,781	-	3,880,781
Local Streets	2,780,593	-	2,780,593
Unrestricted	6,456,432	4,668,582	11,125,014
Total net assets	\$ 68,982,584	\$ 13,743,200	\$ 82,725,784

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government						
Governmental activities:						
General government	\$ 3,715,626	\$ (641,993)	\$ 1,194,813	\$ 36,763	\$ 71,394	\$ (1,770,663)
Public safety	13,686,039	229,854	238,902	208,402	-	(13,468,589)
Highways and streets	2,721,444	645,032	242,661	3,125,648	38,590	40,423
Public works	2,623,655	(210,773)	897,418	226,979	-	(1,288,485)
Engineering services	419,639	(205,433)	-	-	-	(214,206)
District court	1,175,162	12,002	1,029,117	48,034	-	(110,013)
Inspections	548,459	5,536	730,402	-	-	176,407
Culture and recreation	1,114,487	41,078	239,213	-	-	(916,352)
Interest on long-term debt	596,505	-	-	-	-	(596,505)
Total governmental activities	<u>26,601,016</u>	<u>(124,697)</u>	<u>4,572,526</u>	<u>3,645,826</u>	<u>109,984</u>	<u>(18,147,983)</u>
Business-type activities:						
Sewer	2,467,996	29,553	2,075,905	-	-	(421,644)
Water	1,985,784	95,144	2,126,256	-	-	45,328
Total business-type activities	<u>4,453,780</u>	<u>124,697</u>	<u>4,202,161</u>	<u>-</u>	<u>-</u>	<u>(376,316)</u>
Total primary government	<u>\$ 31,054,796</u>	<u>\$ -</u>	<u>\$ 8,774,687</u>	<u>\$ 3,645,826</u>	<u>\$ 109,984</u>	<u>\$ (18,524,299)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (18,147,983)	\$ (376,316)	\$ (18,524,299)
General revenues:			
Property taxes			
General operating	5,152,148	-	5,152,148
Police and fire	6,617,412	-	6,617,412
Parks	172,355	-	172,355
Street lighting	281,233	-	281,233
Municipal streets	517,151	-	517,151
Landfill remediation	258,633	-	258,633
State shared revenues	3,521,716	-	3,521,716
Interest earnings	220,327	47,640	267,967
Other general revenues	431,152	-	431,152
Total general revenues	17,172,127	47,640	17,219,767
Change in net assets	(975,856)	(328,676)	(1,304,532)
Net assets, beginning of year, as restated	69,958,440	14,071,876	84,030,316
Net assets, end of year	\$ 68,982,584	\$ 13,743,200	\$ 82,725,784

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2004

<u>ASSETS</u>	SPECIAL REVENUE				CAPITAL PROJECTS	
	GENERAL FUND	POLICE AND FIRE MILLAGE	DRAIN	MAJOR STREET	CONSTRUCTION FUND	GENERAL PROJECTS
Cash and pooled investments	\$ 4,138,090	\$ 4,404,871	\$ 7,171,586	\$ 7,870,993	\$ 4,541,265	\$ 3,851,715
Accounts receivable	3,252,972	-	7,985	-	-	-
Special assessments receivable	-	-	4,086	-	-	909,768
Mortgage loans receivable	-	-	-	-	-	-
Due from other governmental units	1,278,430	-	194,553	643,367	-	-
Prepays	546,822	-	-	-	-	-
Inventory	8,972	-	-	-	-	-
Deposits	-	-	-	50,108	-	-
<u>TOTAL ASSETS</u>	\$ 9,225,286	\$ 4,404,871	\$ 7,378,210	\$ 8,564,468	\$ 4,541,265	\$ 4,761,483
 <u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 311,284	\$ -	\$ 86,964	\$ 160,370	\$ 660,484	\$ 4,542
Customer deposits	149,327	-	-	-	-	-
Due to other governmental units	2,682,869	-	111,085	-	-	-
Deferred revenue	572,025	-	-	-	-	751,785
Accrued wages and compensated absences	842,825	-	-	-	-	-
TOTAL LIABILITIES	4,558,330	-	198,049	160,370	660,484	756,327
FUND BALANCES						
Reserved						
General fund - budget stabilization	837,521	-	-	-	-	-
Special revenue funds - noncurrent mortgage loans	-	-	-	-	-	-
Unreserved						
Designated for parks and recreation	-	-	-	-	-	-
Undesignated, reported in:						
General fund	3,829,435	-	-	-	-	-
Special revenue funds	-	4,404,871	7,180,161	8,404,098	-	-
Capital Project funds	-	-	-	-	3,880,781	4,005,156
Debt service funds	-	-	-	-	-	-
TOTAL FUND BALANCES	4,666,956	4,404,871	7,180,161	8,404,098	3,880,781	4,005,156
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 9,225,286	\$ 4,404,871	\$ 7,378,210	\$ 8,564,468	\$ 4,541,265	\$ 4,761,483

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 18,900,205	\$ 50,878,725
1,780	3,262,737
-	913,854
296,139	296,139
193,980	2,310,330
-	546,822
-	8,972
-	50,108
<u>\$ 19,392,104</u>	<u>\$ 58,267,687</u>

\$ 262,521	\$ 1,486,165
-	149,327
-	2,793,954
-	1,323,810
-	842,825
<u>262,521</u>	<u>6,596,081</u>

-	837,521
186,924	186,924
382,908	382,908
-	3,829,435
18,558,840	38,547,970
-	7,885,937
911	911
<u>19,129,583</u>	<u>51,671,606</u>
<u>\$ 19,392,104</u>	<u>\$ 58,267,687</u>

CITY OF KENTWOOD

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2004

Fund balances - total governmental funds	\$ 51,671,606
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	36,956,214
Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - deferred revenue on special assessments receivable	751,785
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(839,249)
Deduct - landfill clean up and other costs	(1,361,600)
Deduct - bonds payable	(18,025,000)
Deduct - accrued interest on bonds payable	<u>(171,172)</u>
Net assets of governmental activities	<u>\$ 68,982,584</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD
STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE			
	GENERAL FUND	POLICE AND FIRE MILLAGE	DRAIN	MAJOR STREET
REVENUES				
Special assessments	\$ -	\$ -	\$ 3,135	\$ -
Taxes	5,146,203	6,617,412	-	-
Intergovernmental	3,732,070	-	226,979	2,181,802
Licenses and permits	1,250,001	-	-	-
Charges for services	2,327,436	-	-	-
Fines and forfeits	1,170,730	-	-	-
Investment income	54,689	69,931	80,129	75,250
Application fees	-	-	-	-
Miscellaneous	124,216	-	-	276,352
TOTAL REVENUES	13,805,345	6,687,343	310,243	2,533,404
EXPENDITURES				
Current				
General government	3,862,501	-	-	-
Public safety	12,510,807	20,000	-	-
Highways and streets	-	-	-	879,824
Engineering	423,534	-	-	-
Public works	1,416,322	-	1,096,232	-
District court	1,187,164	-	-	-
Inspections	553,995	-	-	-
Culture and recreation	999,276	-	-	-
Capital outlay	-	-	-	693,528
Debt service				
Interest	-	-	-	-
Principal	-	-	-	-
TOTAL EXPENDITURES	20,953,599	20,000	1,096,232	1,573,352
REVENUES OVER (UNDER) EXPENDITURES	(7,148,254)	6,667,343	(785,989)	960,052
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Bonds issue	-	-	-	-
Transfers in	7,596,555	-	-	130,674
Transfers out	(440,000)	(7,566,555)	(367,348)	-
TOTAL OTHER FINANCING SOURCES (USES)	7,156,555	(7,566,555)	(367,348)	130,674
NET CHANGE IN FUND BALANCES	8,301	(899,212)	(1,153,337)	1,090,726
FUND BALANCES, BEGINNING OF YEAR	4,658,655	5,304,083	8,333,498	7,313,372
FUND BALANCES, END OF YEAR	\$ 4,666,956	\$ 4,404,871	\$ 7,180,161	\$ 8,404,098

The accompanying notes are an integral part of these financial statements.

CAPITAL PROJECTS		OTHER		TOTAL
CONSTRUCTION	GENERAL	GOVERNMENTAL	GOVERNMENTAL	
FUND	PROJECTS	FUNDS	FUNDS	
\$	-	\$	-	\$
	489,609			492,744
-	-	1,229,372		12,992,987
-	-	709,169		6,850,020
-	-	-		1,250,001
-	-	518,921		2,846,357
-	-	-		1,170,730
58,772	83,269	190,877		612,917
-	-	19,000		19,000
-	-	216,693		617,261
58,772	572,878	2,884,032		26,852,017
-	-	54,641		3,917,142
-	-	15,000		12,545,807
-	-	1,079,895		1,959,719
-	-	-		423,534
-	-	99,880		2,612,434
-	-	-		1,187,164
-	-	-		553,995
-	-	15,500		1,014,776
7,270,661	8,300	1,234,659		9,207,148
-	-	514,274		514,274
-	-	505,000		505,000
7,270,661	8,300	3,518,849		34,440,993
(7,211,889)	564,578	(634,817)		(7,588,976)
-	-	38,523		38,523
9,980,000	-	-		9,980,000
1,117,348	-	1,236,550		10,081,127
(638,040)	(250,000)	(819,184)		(10,081,127)
10,459,308	(250,000)	455,889		10,018,523
3,247,419	314,578	(178,928)		2,429,547
633,362	3,690,578	19,308,511		49,242,059
\$	3,880,781	\$	4,005,156	\$
			19,129,583	\$
				51,671,606

CITY OF KENTWOOD

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ 2,429,547
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	8,594,051
Deduct - depreciation expense	(2,743,868)
Deduct - loss on disposal of capital assets	(123,308)

Special assessments receivable are long-term in nature and are collectable over several
years. However the current receipts are reflected as revenues on the fund statements.

Add - increase in special assessments receivable	249,320
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Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	505,000
Deduct - issuance of bonds	(9,980,000)
Add - change in other long-term liabilities	200,000

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(24,367)
Deduct - increase in accrued interest payable	(82,231)

Change in net assets of governmental activities	<u>\$ (975,856)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL	VARIANCE
	ORIGINAL	AMENDED	AMOUNT	POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 5,441,100	\$ 5,441,100	\$ 5,146,203	\$ (294,897)
Licenses and permits	1,150,800	1,284,300	1,250,001	(34,299)
Intergovernmental	3,972,900	3,972,900	3,732,070	(240,830)
Charges for services	2,418,700	2,435,200	2,327,436	(107,764)
Fines and forfeits	1,085,000	1,085,000	1,170,730	85,730
Investment income	500,000	500,000	54,689	(445,311)
Miscellaneous	127,800	127,800	124,216	(3,584)
TOTAL REVENUES	14,696,300	14,846,300	13,805,345	(1,040,955)
EXPENDITURES				
Current				
General government	4,683,800	4,683,800	3,862,501	821,299
Public safety	13,340,600	13,340,600	12,510,807	829,793
Engineering	470,600	470,600	423,534	47,066
Public works	1,362,400	1,395,400	1,416,322	(20,922)
District court	1,213,700	1,213,700	1,187,164	26,536
Inspections	573,900	573,900	553,995	19,905
Culture and recreation	1,153,300	1,153,300	999,276	154,024
TOTAL EXPENDITURES	22,798,300	22,831,300	20,953,599	1,877,701
REVENUES OVER (UNDER) EXPENDITURES	(8,102,000)	(7,985,000)	(7,148,254)	836,746
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	4,000	4,000	-	(4,000)
Transfers in	8,292,300	8,292,300	7,596,555	(695,745)
Transfers out	(310,000)	(310,000)	(440,000)	(130,000)
TOTAL OTHER FINANCING SOURCES (USES)	7,986,300	7,986,300	7,156,555	(829,745)
NET CHANGE IN FUND BALANCE	(115,700)	1,300	8,301	7,001
FUND BALANCE, BEGINNING OF YEAR	4,658,655	4,658,655	4,658,655	-
FUND BALANCE, END OF YEAR	\$ 4,542,955	\$ 4,659,955	\$ 4,666,956	\$ 7,001

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - POLICE AND FIRE MILLAGE FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 6,892,000	\$ 6,892,000	\$ 6,617,412	\$ (274,588)
Investment income	300,000	300,000	69,931	(230,069)
TOTAL REVENUES	7,192,000	7,192,000	6,687,343	(504,657)
EXPENDITURES				
Current				
Administrative	20,000	20,000	20,000	-
REVENUES OVER EXPENDITURES	7,172,000	7,172,000	6,667,343	(504,657)
OTHER FINANCING (USES)				
Transfers out	(8,292,300)	(8,292,300)	(7,566,555)	725,745
NET CHANGE IN FUND BALANCE	(1,120,300)	(1,120,300)	(899,212)	221,088
FUND BALANCE, BEGINNING OF YEAR	5,304,083	5,304,083	5,304,083	-
FUND BALANCE, END OF YEAR	\$ 4,183,783	\$ 4,183,783	\$ 4,404,871	\$ 221,088

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DRAIN FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL	VARIANCE
	ORIGINAL	AMENDED	AMOUNT	POSITIVE (NEGATIVE)
REVENUES				
Special assessments	\$ -	\$ -	\$ 3,135	\$ 3,135
Intergovernmental	-	-	226,979	226,979
Investment income	450,000	450,000	80,129	(369,871)
TOTAL REVENUES	450,000	450,000	310,243	(139,757)
EXPENDITURES				
Current				
Engineering	40,000	40,000	118,700	(78,700)
Administrative	55,000	55,000	291,229	(236,229)
Maintenance	912,000	912,000	649,545	262,455
Miscellaneous	45,000	45,000	36,758	8,242
TOTAL EXPENDITURES	1,052,000	1,052,000	1,096,232	(44,232)
REVENUES (UNDER) EXPENDITURES	(602,000)	(602,000)	(785,989)	(183,989)
OTHER FINANCING SOURCE				
Transfers out	(250,000)	(250,000)	(367,348)	(117,348)
NET CHANGE IN FUND BALANCE	(852,000)	(852,000)	(1,153,337)	(301,337)
FUND BALANCE, BEGINNING OF YEAR	8,333,498	8,333,498	8,333,498	-
FUND BALANCE, END OF YEAR	\$ 7,231,498	\$ 7,481,498	\$ 7,180,161	\$ (301,337)

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL	VARIANCE
	ORIGINAL	AMENDED	AMOUNT	POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	\$ 2,129,400	\$ 2,129,400	\$ 2,181,802	\$ 52,402
Investment income	350,000	350,000	75,250	(274,750)
Miscellaneous	18,400	18,400	276,352	257,952
TOTAL REVENUES	2,497,800	2,497,800	2,533,404	35,604
EXPENDITURES				
Current				
Engineering	50,000	50,000	93,304	(43,304)
Administrative	190,000	190,000	192,900	(2,900)
Maintenance	215,000	215,000	401,178	(186,178)
Snow and ice removal	120,000	120,000	99,155	20,845
Traffic control	120,000	120,000	91,645	28,355
Miscellaneous	1,500	1,500	1,642	(142)
Capital outlay	2,840,000	2,840,000	693,528	2,146,472
TOTAL EXPENDITURES	3,536,500	3,536,500	1,573,352	1,963,148
REVENUES OVER EXPENDITURES	(1,038,700)	(1,038,700)	960,052	1,998,752
EXPENDITURES				
OTHER FINANCING SOURCE				
Transfers in	2,200,000	2,200,000	130,674	(2,069,326)
NET CHANGE IN FUND BALANCE	1,161,300	1,161,300	1,090,726	(70,574)
FUND BALANCE, BEGINNING OF YEAR	7,313,372	7,313,372	7,313,372	-
FUND BALANCE, END OF YEAR	\$ 8,474,672	\$ 8,474,672	\$ 8,404,098	\$ (70,574)

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD
ENTERPRISE FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2004

<u>ASSETS</u>	WATER	SEWER	TOTAL
CURRENT ASSETS			
Cash and pooled investments	\$ 2,419,742	\$ 2,321,760	\$ 4,741,502
Accounts receivable	411,980	393,503	805,483
Prepaid items	10,979	-	10,979
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	2,842,701	2,715,263	5,557,964
	<hr/>	<hr/>	<hr/>
LONG-TERM ASSETS			
Land	60,949	-	60,949
Capital assets	10,484,192	12,433,709	22,917,901
Less: Accumulated depreciation	(5,549,782)	(8,354,450)	(13,904,232)
	<hr/>	<hr/>	<hr/>
NET LONG-TERM ASSETS	4,995,359	4,079,259	9,074,618
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	7,838,060	6,794,522	14,632,582
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	269,235	620,147	889,382
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Investment in capital assets net of related debt	4,995,359	4,079,259	9,074,618
Unrestricted	2,573,466	2,095,116	4,668,582
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 7,568,825	\$ 6,174,375	\$ 13,743,200
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

**ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2004

	WATER	SEWER	TOTAL
OPERATING REVENUES	\$ 2,093,903	\$ 2,108,258	\$ 4,202,161
OPERATING EXPENSES			
Administration	32,987	23,801	56,788
Contractual services	1,192,129	1,925,367	3,117,496
Depreciation	249,372	248,674	498,046
Employee benefits	73,383	-	73,383
Salaries	199,809	-	199,809
Supplies	234,307	253,659	487,966
Engineering	14,387	29,553	43,940
Rent	4,200	-	4,200
Miscellaneous	34,810	12,350	47,160
Utilities	45,544	4,145	49,689
TOTAL OPERATING EXPENSES	2,080,928	2,497,549	4,578,477
OPERATING INCOME (LOSS)	12,975	(389,291)	(376,316)
NONOPERATING REVENUES			
Investment income	23,618	24,022	47,640
CHANGE IN NET ASSETS	36,593	(365,269)	(328,676)
NET ASSETS, BEGINNING OF YEAR	7,532,232	6,539,644	14,071,876
NET ASSETS, END OF YEAR	\$ 7,568,825	\$ 6,174,375	\$ 13,743,200

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2004

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,205,472	\$ 2,049,667	\$ 4,255,139
Payments to suppliers	(1,652,468)	(2,149,075)	(3,801,543)
Payments to employees	(273,963)	-	(273,963)
Net cash provided by (used in) operating activities	279,041	(99,408)	179,633
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(175,451)	-	(175,451)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	23,618	24,022	47,640
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	127,208	(75,386)	51,822
CASH AND POOLED INVESTMENTS, BEGINNING OF YEAR	2,292,534	2,397,146	4,689,680
CASH AND POOLED INVESTMENTS, END OF YEAR	\$ 2,419,742	\$ 2,321,760	\$ 4,741,502
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 12,975	\$ (389,291)	\$ (376,316)
Depreciation	249,372	248,674	498,046
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(71,257)	(41,404)	(112,661)
Prepaid items	(10,979)	-	(10,979)
Accounts payable	98,930	82,613	181,543
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 279,041	\$ (99,408)	\$ 179,633

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD
FIDUCIARY FUNDS
STATEMENTS OF NET ASSETS

JUNE 30, 2004

		PRIVATE PURPOSE TRUST	
		SPECIAL ASSESSMENT -	AGENCY FUND
<u>ASSETS</u>	DEFINED BENEFIT	DEFERRED PAYBACK	TAX COLLECTION
Cash and pooled investments	\$ 234,270	\$ 171,574	\$ 278,385
Investments			
Bonds	5,380,999	-	-
Equities	7,239,548	-	-
International	738,179	-	-
Special assessments receivable	-	453,825	-
<u>TOTAL ASSETS</u>	<u>13,592,996</u>	<u>625,399</u>	<u>\$ 278,385</u>
<u>LIABILITIES</u>			
Accounts payable	35,418	-	-
Due to other governmental units	-	9,217	278,385
Payable to property owners	-	605,678	-
<u>TOTAL LIABILITIES</u>	<u>35,418</u>	<u>614,895</u>	<u>\$ 278,385</u>
<u>NET ASSETS</u>			
Reserved for employee benefits	13,557,578	-	
Unreserved	-	10,504	
<u>TOTAL NET ASSETS</u>	<u>\$ 13,557,578</u>	<u>\$ 10,504</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF KENTWOOD

STATEMENT OF CHANGES IN NET ASSETS PENSION TRUST AND PRIVATE PURPOSE TRUST

FOR THE YEAR ENDED JUNE 30, 2004

	DEFINED BENEFIT	PRIVATE PURPOSE TRUST SPECIAL ASSESSMENT - DEFERRED PAYBACK
ADDITIONS		
Contributions:		
Employer	\$ 850,000	\$ -
Plan participants	199,289	-
Total contributions	<u>1,049,289</u>	<u>-</u>
Investment income	<u>2,157,237</u>	<u>103</u>
 TOTAL ADDITIONS	 3,206,526	 103
DEDUCTION		
Distributions, expenses and benefit payments	<u>298,607</u>	<u>-</u>
Net increase	2,907,919	103
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>10,649,659</u>	<u>10,401</u>
End of year	<u>\$ 13,557,578</u>	<u>\$ 10,504</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kentwood, Michigan (City), was incorporated in 1967 and operates under an elected Mayor-Commission form of government. The City provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, water and sewer and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The Reporting Entity

The accompanying financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. The City has no discretely presented component units.

Blended Component Units

Building Authority – The Building Authority is governed by a Board that is appointed by the Kentwood City Commission. Its sole purpose is to finance and construct the City's public buildings. It is reported in the appropriate Debt Service Fund. A separate report is not prepared for the Building Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a City-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the County pays the City for any outstanding real property (excluding personal property) taxes of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are recorded when all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, landfill remediation and compensated absences expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Police and Fire Millage Fund* accounts for funds generated by property tax collections specifically intended for police and fire protection.

The *Drain Fund* accounts for funds held for the construction and maintenance of storm-water collection systems.

The *Major Street Fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and miscellaneous service revenues.

The *Construction Capital Projects Fund* accounts for funds accumulated from Building Authority bonded debt and related construction projects.

The *General Projects Fund* accounts for funds accumulated from bonded debt and special assessments for construction projects.

The City reports the following major proprietary funds:

The *Water Fund* accounts for funds specifically intended for the operation, maintenance and capital improvements of the water supply system, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities and customers.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Sewer Fund* accounts for funds specifically intended for the operation, maintenance and capital improvements of the sewage disposal system, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities and customers.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for revenue from specific revenue sources (other than expendable trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Private Purpose Trust Fund* is used to record the activity of collecting special assessments which are payable to other entities and which may revert to the City based on time limits established in various agreements provides funds for perpetual care of cemetery lots.

Trust and Agency Funds are used to account for assets held by the City in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standard do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for water and sewer services. Operating expenses for the enterprise fund include depreciation on capital assets and payments for services, wages and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are unavailable for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."

Accounts receivable is shown net of allowance for estimated uncollectibles.

Inventories and Prepaid Items

Inventories are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Budgets and Budgetary Accounting

General Budgetary Policies – The Mayor is responsible for submitting the proposed operating budget for the following fiscal year to the City Commission. The City Commission, during its review, holds public hearings to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Budget Transfers and Amendments – The City Commission authorizes all budgetary transfers. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Commission. All budget amendments are approved by the City Commission; there were no budget amendments made during the year (should be changed since there was an amendment related to DPW staffing changes).

Budgetary Basis of Accounting – Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. The budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles (GAAP).

Appropriations are authorized by resolution at the department level for the General Fund and at the fund level for Special Revenue Funds. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. All unexpended appropriations lapse at year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not a legal requirement of the City and is not employed.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Pooled Investments

For purposes of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Investments

Investments are stated at fair value. For fair value, securities traded on a national exchange are valued at the last reported sales price. The net investment income reported includes the change in fair value of the investments from the beginning of the year to the end of the year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold ranges from \$10,000 - \$25,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in governmental funds.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Buildings, equipment, water mains, meters, storage tanks and sewer mains	50
Storage tank improvements	15
Transportation equipment	4-20
Public domain infrastructure	20-45

Property Taxes

City summer property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 20. These summer tax bills include the City's own property taxes and taxes billed on behalf of other governmental entities. Real property taxes not collected as of March 1, are turned over to Kent County for collection. Collection of delinquent personal property taxes remain the responsibility of the City Treasurer.

The City also acts as a collection agent for various governments for winter property taxes. Taxes collected on behalf of other governmental entities are paid to them periodically and are accounted for in an agency fund.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management and Benefits

The City is a member of the Michigan Municipal League Workers' Compensation Fund. Premiums from participants of the fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the fund and members against exceptionally large losses. No deductible is required for City claims.

The City is a member of the Michigan Municipal League Liability and Property Pool. Premiums from participants of the fund are arrived at through underwriting procedures administered by the Meadowbrook Insurance Group. The claims, administrative expenses and reinsurance are provided for by the premiums collected. Various deductibles are maintained to place the responsibility for small charges with the insured. Deductible examples: liability, \$0; blanket real and personal property including buildings, personal property and property in the open, \$1,000; and electronic data processing equipment, \$1,000.

The City has transferred the risk of loss associated with employee health care by purchasing health insurance from commercial insurance carriers.

Settled claims have not exceeded insurance coverage in any of the past three years. There has been no significant reductions in insurance coverage from the past year.

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Local Law Enforcement Block Grants (General Fund)	\$ 12,559
City's portion of delinquent personal property taxes receivable (General Fund)	468,505
Cable Franchise Fees (General Fund)	<u>90,961</u>
	<u>\$572,025</u>

Compensated Absences

City employees are granted vacation days in varying amounts based on length of service. Employees must use earned vacation time within 12 months from their last anniversary date with a maximum carryover of 20 days. Upon termination, discharge, retirement or death, employees are paid for unused vacation time at the current rate.

Sick leave is accumulated at the rate of from 8 to 12 hours per month of employment depending on bargaining unit. Unused accumulated sick leave, up to a maximum of from 90 to 150 days at a rate of from \$1.00 to \$1.50 per day times the years of continuous service, is paid to employees who meet specified years of service and who die, retire or terminate in good standing based on bargaining unit. These liabilities are included on the government-wide financial statements.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balance

Reserved fund balance/restricted net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2004 the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Public Works	\$1,395,400	\$1,416,322	\$ (20,922)
Transfers out	310,000	440,000	(130,000)
Drain Fund	1,052,000	1,096,232	(44,232)
Post Employment Benefits Fund	11,600	12,683	(1,083)

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fiduciary fund statement related to deposits and investments, are as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds			Total
			Pension Trust	Private-Purpose Trust	Agency Fund	
Cash and pooled investments	\$50,878,725	\$4,741,502	\$ 234,270	\$171,574	\$278,385	\$56,304,456
Investments	-	-	13,358,726	-	-	13,358,726
	<u>\$50,878,725</u>	<u>\$4,741,502</u>	<u>\$13,592,996</u>	<u>\$171,574</u>	<u>\$278,385</u>	<u>\$69,663,182</u>

Deposits

At year-end, the bank balance of the City's deposits, which consist of demand deposit accounts, were classified as to risk as follows:

Insured	\$ 126,398
Uninsured - uncollateralized	<u>2,406,782</u>
Deposits bank balance	2,533,180
Less: reconciling items	<u>(262,452)</u>
Deposits- book balance	<u>\$2,270,728</u>

Investments

Statutes authorize the City to invest in the following:

- ◆ Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Bankers acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City's retirement system's investments are held in trust by two local banks. Michigan compiled law authorizes the systems to invest in stocks, bonds, certificates of deposits and authority of other investments.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Consequently, two separate and distinct levels of authority exist for City investments. The City's investments are in accordance with statutory authority.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Fair value is the market value of securities held by the City.

The City's investments are in accordance with statutory authority as follows:

	Category at Market Value			Total Carrying/ Fair Value
	(1)	(2)	(3)	
Government securities	<u>\$4,759,696</u>	<u>\$ -</u>	<u>\$ -</u>	\$4,759,696
Uncategorized as to risk:				
Mutual funds				52,359,966
Money market mutual funds				<u>10,272,792</u>
Total investments				<u>\$67,392,454</u>

The City's investments in mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2004 are as follows:

	Transfers In by Fund				
	General Fund	Major Streets	Construction Fund	Nonmajor	Total
Transfers out:					
General Fund	\$ -	\$ -	\$ -	\$ 440,000	\$ 440,000
Police and Fire Millage	7,566,555	-	-	-	7,566,555
Drain	-	-	367,348	-	367,348
Construction Fund	-	-	-	638,040	638,040
General Projects	-	-	250,000	-	250,000
Nonmajor	<u>30,000</u>	<u>130,674</u>	<u>500,000</u>	<u>158,510</u>	<u>819,184</u>
	<u>\$7,596,555</u>	<u>\$130,674</u>	<u>\$1,117,348</u>	<u>\$1,236,550</u>	<u>\$10,081,127</u>

Transfers are use to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

5. CAPITAL ASSETS

The capital assets activities for the year are as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,995,309	\$ 129,651	\$ -	\$ 2,124,960
Construction in process	<u>1,049,516</u>	<u>2,521,705</u>	<u>1,049,516</u>	<u>2,521,705</u>
Total capital assets, not being depreciated	<u>3,044,825</u>	<u>2,651,356</u>	<u>1,049,516</u>	<u>4,646,665</u>
Capital assets, being depreciated:				
Land improvements	679,332	212,054	30,580	860,806
Buildings	16,193,372	5,437,518	2,084,084	19,546,806
Equipment	1,744,229	-	243,391	1,500,838
Vehicles	4,760,682	298,572	83,880	4,975,374
Infrastructure	<u>28,407,334</u>	<u>1,106,711</u>	<u>-</u>	<u>29,514,045</u>
Total capital assets, being depreciated	<u>51,784,949</u>	<u>7,054,855</u>	<u>2,441,935</u>	<u>56,397,869</u>
Less accumulated depreciation for:				
Land improvements	419,548	62,493	30,580	451,461
Buildings	4,587,537	592,066	2,026,444	3,153,159
Equipment	947,347	131,957	128,466	950,838
Vehicles	2,142,971	564,555	70,493	2,637,033
Infrastructure	<u>15,503,032</u>	<u>1,392,797</u>	<u>-</u>	<u>16,895,829</u>
Total accumulated depreciation	<u>23,600,435</u>	<u>2,743,868</u>	<u>2,255,983</u>	<u>24,088,320</u>
Net capital assets, being depreciated	<u>28,184,514</u>	<u>4,310,987</u>	<u>185,952</u>	<u>32,309,549</u>
Net governmental activities capital assets	<u>\$31,229,339</u>	<u>\$6,962,343</u>	<u>(\$1,235,468)</u>	<u>\$36,956,214</u>

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

5. CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 60,949	\$ -	\$ -	\$ 60,949
Capital assets, being depreciated:				
Buildings	216,229	-	-	216,229
Equipment	388,248	-	-	388,248
Meters	719,068	-	-	719,068
Water mains	6,510,568	-	-	6,510,568
Sewer mains	12,433,709	-	-	12,433,709
Storage	2,474,628	175,451	-	2,650,079
Total capital assets, being depreciated	<u>22,742,450</u>	<u>175,451</u>	<u>-</u>	<u>22,917,901</u>
Less accumulated depreciation for:				
Buildings	111,424	5,248	-	116,672
Equipment	200,065	9,424	-	209,489
Meters	358,810	17,455	-	376,265
Water mains	3,354,924	158,040	-	3,512,964
Sewer mains	8,105,776	248,674	-	8,354,450
Storage	1,275,187	59,205	-	1,334,392
Total accumulated depreciation	<u>13,406,186</u>	<u>498,046</u>	<u>-</u>	<u>13,904,232</u>
Net capital assets, being depreciated	<u>9,336,264</u>	<u>(322,595)</u>	<u>-</u>	<u>9,013,669</u>
Net business-type activities capital assets	<u>\$ 9,397,213</u>	<u>\$(322,595)</u>	<u>\$ -</u>	<u>\$ 9,074,618</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 26,952
Public safety	1,081,784
Public works	123,817
Culture and recreation	112,242
Highways and streets	<u>1,399,073</u>
Total depreciation expense - Governmental activities	<u>\$2,743,868</u>
Business-type activities:	
Sewer	\$248,674
Water	<u>249,372</u>
Total depreciation expense - Business-type activities	<u>\$498,046</u>

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. PENSION PLANS

Defined Benefit Plan

The City of Kentwood Employee Pension Plan (Plan) is a single employer defined benefit plan which covers some employees of the City. The Plan is administered by the City with some aspects of plan administration contracted to various specialists. All Employees of the City, exclusive of those participating in the defined contribution plan, who are at least 21 years of age, working more than 1,300 hours and having at least one year of service are eligible to participate in the Plan. A separate financial report for this plan is not issued. Membership of the Plan consisted of the following at January 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	19
Terminated members not yet receiving benefits	8
Active plan members	<u>82</u>
	<u>109</u>

Benefits partially vest after five years of service and 100% after ten years of service. Normal retirement is at age 50 to 60 depending on bargaining unit. However, the participant may elect early or late retirement. Upon ten years of service, a participant is entitled to receive a benefit equal in value to a single life annuity on the participant's life with the annual retirement benefit equal to 2.5% of the participant's average annual compensation (highest five of last ten years compensation) multiplied by the number of years of service, not to exceed Internal Revenue Service 415 limits. The maximum retirement benefit is 75% of final average compensation. The Plan also provides death benefits as determined by the Plan document. The Plan also provides police and fire participants with duty-related disability benefits as specified by the Plan document.

Summary of Significant Accounting Policies

The financial statements of the City's defined benefit pension plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable according to the terms of the Plan.

Plan investments are reported at fair value with plan administrative costs being financed by the plan.

Contributions

The City's Plan benefits and contribution requirements were established and may be amended under the authority of the City Commission and under agreements with the City's collective bargaining units representing various classes of employees.

The Plan's funding policy is that employees will contribute a fixed portion of their pay at rates specified in the Plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. PENSION PLANS (CONTINUED)

Contributions (Continued)

Current rates of employee contributions are 4% of compensation for police –supervisory participants, 5% of compensation for police-patrol participants, 4% for firefighter participants, and 3% for participants who are members of Kentwood General Employees Association (KGEA) and the 62-B District Court. The Plan does not permit or require other participant contributions. The Plan also calls for the City to contribute amounts sufficient to fund the Plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. The annual required contribution for the City during the plan year ended December 31, 2003 was \$850,000.

Net pension obligation – beginning of year	\$ -
Annual required contribution/annual pension cost	850,000
Contribution made by the City	<u>850,000</u>
Net pension obligation – end of the year	<u>\$ -</u>

Concentrations

As of December 31, 2003, investments constituting 5% or more of plan assets are:

	<u>Percent of Total Market Value</u>
Huntington Funds:	
Intermediate Government Income Fund III	16.44
Growth Fund III	5.33
Russell Funds:	
Equity Q Fund Class I	10.76
Fixed Income I Mutual Fund	7.98
Equity I Class I Mutual Fund	5.35
Fifth Third Funds:	
Intermediate Bond Fund	11.26
Disciplined Large Value Fund	5.68
American Funds:	
Growth Fund Class A	5.63

Funding Status and Progress

The annual required contribution was determined as part of an actuarial valuation of the Plan as of January 1, 2004. Significant actuarial assumptions used in determining the annual required contribution include (a) rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 5% per year attributable to inflation, and (c) additional cost-of-living salary increases of 3% per year.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

6. PENSION PLANS (CONTINUED)

Funding Status and Progress (Continued)

The City's funding policy for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level dollar over an open period of nine years. During the Plan year ended December 31, 2003, contributions totaling \$1,049,289 (\$850,000 employer and \$199,289 employee) were made.

The actuarial value of assets has been determined utilizing a smoothing technique which considers asset projected and market values.

Trend Information

<u>Plan year ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$765,000	100%	\$ -
2002	710,000	100%	-
2003	850,000	100%	-

Defined Contribution Plan

The City of Kentwood Defined Contribution Pension Plan provides pension benefits for substantially all employees working more than 1,300 hours per year exclusive of those participating in the City's defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate immediately upon employment. The City contributes 7 – 12% of each participant's compensation to the Plan. The City's contributions are partially vested after two years of service and 100% vested after seven years of service. The Plan provisions and contribution amounts were established by City Commission, based on collective bargaining agreements, and may be amended by City Commission. Assets of the Plan are recorded in a pension trust fund. The Plan is administered by the ICMA Retirement Corporation.

The City's total payroll for the year ending June 30, 2004 was approximately \$12,161,200. The City's contribution of approximately \$580,400 was calculated using the employee compensation amount of approximately \$6,666,200. City employees also made pre-tax mandatory contributions to the Plan totaling approximately \$197,400, which was 0 – 4% of covered payroll and rolled in approximately \$37,400 of assets from other plans.

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan participant contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7. POST-EMPLOYMENT BENEFITS

In addition to pension benefits, retirees receive an employer-paid benefit toward health insurance premiums for the retiree and spouse. The retiree benefit amount is determined by multiplying from \$6.00 to \$10.00 times the employee's years of continuous active service depending on bargaining unit. Upon the death of the employee or spouse, the employer's contribution will be reduced by 25%. The employer's contributions cease when the employee becomes eligible for Medicare benefits. The City has 8 participants that are eligible to receive benefits. The benefits are financed through transfers to a special revenue fund in amounts determined using actuarial calculations. During the fiscal year ended June 30, 2004, the City incurred approximately \$12,600 of post-employment benefits expense.

8. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the City:

Long-term obligations are comprised of the following individual issues:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due within One Year</u>
Governmental activities:					
2001 Building Authority Bonds, due in installments of \$540,000 to \$860,000 through 2016; interest at 3.0% to 4.7%.	\$ 8,550,000	\$ -	\$(505,000)	\$ 8,045,000	\$520,000
2003 Capital Improvement Bonds, due in installments of \$365,000 to \$720,000 through 2023; interest at 2.0% to 4.4%.	-	9,980,000	-	9,980,000	365,000
Non-current portion of accrued vacation/compensated absences	814,882	24,367	-	839,249	-
Landfill clean-up and other costs	<u>1,561,600</u>	<u>50,000</u>	<u>(250,000)</u>	<u>1,361,600</u>	<u>125,000</u>
Total governmental activities	<u>10,926,482</u>	<u>10,054,367</u>	<u>(755,000)</u>	<u>20,225,849</u>	<u>1,010,000</u>
Total other long-term obligations	<u>\$10,926,482</u>	<u>\$10,054,367</u>	<u>\$(755,000)</u>	<u>\$20,225,849</u>	<u>\$1,010,000</u>

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

8. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to maturity on the long-term obligations outstanding (except accrued vacation/compensated absences and landfill clean-up) as June 30, 2004 are as follows:

<u>Year Ended</u>	<u>Governmental</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2005	\$ 885,000	\$ 681,036	\$ 1,566,036
2006	910,000	655,226	1,565,226
2007	940,000	627,796	1,567,796
2008	975,000	597,963	1,572,963
2009	1,010,000	565,094	1,575,094
2010-2014	5,715,000	2,233,796	7,948,796
2015-2019	4,315,000	1,065,913	5,380,913
2020-2023	3,275,000	363,360	3,638,360
	<u>\$18,025,000</u>	<u>\$6,790,184</u>	<u>\$24,815,184</u>

9. COMMITMENTS AND CONTINGENCIES

Landfill

Paris Township, which later became the City of Kentwood, operated the old Kentwood Landfill from the late 1940's through 1972 at which time Kent County assumed operations until the landfill closed in May 1976. In 1980, the landfill was placed on the U.S. Environmental Protection Agency (EPA) Superfund national priority list of contaminated sites. Recent studies of the landfill show that a variety of solvents, inorganic compounds and metals have contaminated groundwater. The EPA has also concluded that leachate, a hazardous liquid which seeps from refuse, might find its way into nearby Plaster Creek if corrective action is not taken.

Kent County and the EPA have negotiated a settlement to clean up the landfill over a 40-year period. On August 6, 1991, the City Commission approved an arrangement with the County whereby the City would be responsible for 20% of the total clean-up costs as a result of its prior operation of the landfill. The current present value estimate of remaining clean-up costs over the next 35 years is \$6,558,000, of which the City would be responsible for \$1,311,600. Expenditures of \$84,880 were incurred for landfill clean-up during fiscal year 2004. Under the plan developed by the EPA, contaminated groundwater and leachate would be pumped out, treated and the soil-and-clay cap, which covers the dump, would be upgraded. Fencing would also be installed around the site.

The City is to cover these costs with a 15 year millage that was approved by voters in November 1994. As of June 30, 2004, the City has accounted for the \$1,311,600 liability in the government wide statements.

Commitments

As of June 30, 2004, the City had entered into contracts for construction and equipment of approximately \$2,500,000.

CITY OF KENTWOOD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have been included as other obligations in the financial statements.

11. RESTATEMENT

Net assets of governmental activities at the beginning of the year were decreased by \$239,400 to properly reflect accrued compensated absences at June 30, 2003.

* * * * *

CITY OF KENTWOOD
REQUIRED SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2004

Defined Benefit Pension Plan

* The Annual Required Contribution (ARC) is the contribution required from the employer for the given year.

** The percentage of the ARC actually contributed by the employer for the given year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation Date	January 1, 2004
Actuarial cost method	Entry Age Normal, Frozen Initial Liability (normal costs are allocated as a level percentage of pay)
Amortization method	Level dollar, open
Remaining amortization period	8 years (based on \$870,000 employer contribution in June 2004)
Asset valuation method	Smoothed Market value
Actuarial assumptions:	
Retirement age	Later of age 65 or 5 th anniversary of participation for non-uniform participants; if a non-uniform participant immediately retires from employment, Age 60 with 10 years of service; earlier of 55 with 10 years of service for police participants, or age 54 with 15 years of services for police-supervisory participants; or age 50 with 15 years of service for police-patrol participants; age 55 for firefighter participants
Investment rate of return	8% per year
Projected salary increases	5% per year
Mortality table	1983 Group Annuity Mortality Table, male and female rates
Turnover rates	Crocker-Sarason-Straight T-1
Disability table	64 OASDI
Marriage assumption	100% of all active participants are assumed to be married
Cost-of-living adjustments:	
Basic benefits	None
Maximum salary increases	3% per year
Maximum benefit increases	3% per year

CITY OF KENTWOOD
REQUIRED SUPPLEMENTARY INFORMATION SECTION
(CONTINUED)

JUNE 30, 2004

Defined Benefit Pension Plan

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Schedule of Funding Progress

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL) ((a) + (c))	(c) Unfunded AAL (UAAL)	(d) Funded ratio ((a)/(b))	(e) Annual Covered Payroll	(f) UAAL as a percentage of covered payroll ((c)/(e))
1/1/1995	8,034,095	11,534,016	3,499,921	69.7%	5,528,316	63.3%
1/1/1996	10,304,736	14,758,885	4,454,149	69.8%	5,695,047	78.2%
1/1/1997	10,936,442	15,392,008	4,455,566	71.1%	6,242,286	71.4%
1/1/1998	9,451,645	14,116,249	4,664,604	67.0%	5,597,182	83.3%
1/1/1999	10,430,308	15,326,356	4,896,048	68.1%	6,462,913	75.8%
1/1/2000	12,421,649	17,283,537	4,861,888	71.9%	7,109,449	68.4%
1/1/2001	11,006,422	14,174,019	3,167,597	77.7%	5,616,123	56.4%
1/1/2002	11,480,298	14,610,616	3,130,318	78.6%	4,845,396	64.6%
1/1/2003	10,684,908	13,973,826	3,288,918	76.5%	5,119,257	64.2%
1/1/2004	13,592,995	16,754,125	3,161,130	81.1%	5,163,925	61.2%

Schedule of Contributions

Plan year Ended December 31	Annual Required Contribution *	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed **
1994	600,000	142,192	600,000	742,192	100.00%
1995	676,709	173,544	676,709	850,253	100.00%
1996	750,000	186,341	750,000	936,341	100.00%
1997	800,000	202,951	800,000	1,002,951	100.00%
1998	860,000	207,153	860,000	1,067,153	100.00%
1999	950,000	227,384	950,000	1,177,384	100.00%
2000	1,050,000	231,951	1,050,000	1,281,951	100.00%
2001	765,000	202,710	765,000	967,710	100.00%
2002	710,000	194,221	710,000	904,221	100.00%
2003	850,000	199,289	850,000	1,049,289	100.00%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS
AND SCHEDULES**

GENERAL FUND

CITY OF KENTWOOD

SCHEDULE OF REVENUES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
TAXES				
Tax revenues	\$ 5,441,100	\$ 5,441,100	\$ 5,146,203	\$ (294,897)
TOTAL TAX REVENUES	5,441,100	5,441,100	5,146,203	(294,897)
LICENSES AND PERMITS				
Permits and inspection fees	605,000	621,500	727,892	106,392
Local licenses	529,800	646,800	501,874	(144,926)
State liquor licenses	16,000	16,000	20,235	4,235
TOTAL LICENSES AND PERMITS	1,150,800	1,284,300	1,250,001	(34,299)
INTERGOVERNMENTAL				
State revenue sharing	3,828,900	3,828,900	3,523,668	(305,232)
State grants	84,000	84,000	128,117	44,117
Federal grants	60,000	60,000	80,285	20,285
TOTAL INTERGOVERNMENTAL	3,972,900	3,972,900	3,732,070	(240,830)
CHARGES FOR SERVICES				
Tax collection fees	785,000	785,000	719,100	(65,900)
Public works services	350,000	366,500	362,225	(4,275)
Recreation fees	343,000	343,000	213,387	(129,613)
Internal charges administration	460,000	460,000	479,400	19,400
Water Department - accounting and administrative charges	31,000	31,000	31,000	-
Engineering	115,000	115,000	209,328	94,328
Police, fire and library fees	194,000	194,000	169,336	(24,664)
Cemetery	41,000	41,000	44,200	3,200
Zoning fees	47,500	47,500	34,373	(13,127)
Mobile home fees	6,200	6,200	5,945	(255)
Passport fees	-	-	13,060	13,060
Judge's salary subsidy	46,000	46,000	46,082	82
TOTAL CHARGES FOR SERVICES	2,418,700	2,435,200	2,327,436	(107,764)
FINES AND FORFEITS				
Court fines	930,000	930,000	1,029,117	99,117
Delinquent tax - interest penalties	155,000	155,000	141,613	(13,387)
TOTAL FINES AND FORFEITS	1,085,000	1,085,000	1,170,730	85,730
INVESTMENT INCOME	500,000	500,000	54,689	(445,311)
MISCELLANEOUS				
Insurance premium refunds	40,000	40,000	64,971	24,971
Rental income	32,000	32,000	23,041	(8,959)
Miscellaneous	55,800	55,800	36,204	(19,596)
TOTAL MISCELLANEOUS	127,800	127,800	124,216	(3,584)
TOTAL REVENUES	\$ 14,696,300	\$ 14,846,300	\$ 13,805,345	\$ (1,040,955)

CITY OF KENTWOOD

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL
BASIS) AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
GENERAL GOVERNMENT				
ADMINISTRATIVE				
Auditing	\$ 24,600	\$ 24,600	\$ 21,195	\$ 3,405
Cable TV related costs	211,500	211,500	152,865	58,635
City commission	39,300	39,300	38,184	1,116
Community activities	17,500	17,500	2,300	15,200
Dues, fees and memberships	78,600	78,600	53,758	24,842
Employee benefits	2,600	2,600	1,978	622
Increase in accrued compensated absences	-	-	242,529	(242,529)
Insurance	109,800	109,800	114,654	(4,854)
Legal fees	195,000	195,000	208,634	(13,634)
Repairs and maintenance	24,000	24,000	18,120	5,880
Office equipment	22,800	22,800	4,386	18,414
Office supplies	18,500	18,500	10,442	8,058
Contractual services	79,800	79,800	64,061	15,739
Pension administration	10,700	10,700	8,988	1,712
Postage	48,000	48,000	57,488	(9,488)
Printing and publishing	19,800	19,800	16,238	3,562
Public transportation	-	-	-	-
Utilities	142,000	142,000	133,572	8,428
Supplies	12,000	12,000	12,038	(38)
Training	-	-	-	-
Rent	860,800	860,800	222,725	638,075
Miscellaneous	75,900	75,900	36,104	39,796
TOTAL ADMINISTRATIVE	1,993,200	1,993,200	1,420,259	572,941
ASSESSMENTS				
Contractual services	10,000	10,000	17,571	(7,571)
Capital outlay	5,400	5,400	3,435	1,965
Dues, fees and memberships	1,400	1,400	1,207	193
Training	5,500	5,500	4,711	789
Employee benefits	108,700	108,700	94,375	14,325
Repairs and maintenance	600	600	-	600
Salaries	311,900	311,900	250,988	60,912
Supplies	6,100	6,100	4,190	1,910
Travel	2,200	2,200	1,633	567
TOTAL ASSESSMENTS	451,800	451,800	378,110	73,690
TREASURER				
Capital outlay	-	-	-	-
Dues, fees and memberships	500	500	392	108
Training	4,000	4,000	3,243	757
Employee benefits	57,100	57,100	59,758	(2,658)
Insurance	1,800	1,800	1,643	157
Internal charges	100	100	-	100
Repairs and maintenance	100	100	-	100
Salaries	136,300	136,300	137,797	(1,497)
Supplies	13,600	13,600	1,277	12,323
Contractual services	65,000	65,000	72,359	(7,359)
Travel	600	600	436	164
TOTAL TREASURER	279,100	279,100	276,905	2,195
INFORMATION TECHNOLOGY				
Capital outlay	5,000	5,000	(27)	5,027
Dues, fees and memberships	1,800	1,800	512	1,288
Training	13,500	13,500	1,120	12,380
Employee benefits	66,300	66,300	63,050	3,250
Repairs and maintenance	3,900	3,900	8,294	(4,394)
Contractual services	38,000	38,000	25,739	12,261
Salaries	180,200	180,200	156,393	23,807
Supplies	6,000	6,000	10,818	(4,818)
Travel	1,200	1,200	1,712	(512)
Utilities	4,400	4,400	5,178	(778)
TOTAL INFORMATION TECHNOLOGY	320,300	320,300	272,789	47,511
CITY CLERK				
Capital outlay	200	200	1,145	(945)
Dues, fees and memberships	400	400	250	150
Training	1,000	1,000	667	333
Employee benefits	45,700	45,700	45,696	4
Insurance	200	200	127	73
Internal charges	-	-	-	-
Repairs and maintenance	500	500	-	500
Contractual services	12,000	12,000	438	11,562
Salaries	173,300	173,300	169,444	3,856
Supplies	2,900	2,900	1,918	982
Travel	400	400	321	79
TOTAL CITY CLERK	236,600	236,600	220,006	16,594

(Continued)

CITY OF KENTWOOD

SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (CONTINUED) GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
GENERAL GOVERNMENT (CONTINUED)				
HUMAN RESOURCES				
Dues, fees and memberships	\$ 100	\$ 100	\$ 48	\$ 52
Training	2,800	2,800	687	2,113
Employee benefits	31,300	31,300	34,009	(2,709)
Salaries	93,500	93,500	88,967	4,533
Supplies	300	300	431	(131)
Travel	500	500	484	16
TOTAL HUMAN RESOURCES	128,500	128,500	124,626	3,874
ACCOUNTING				
Capital outlay	-	-	333	(333)
Dues, fees and memberships	2,200	2,200	965	1,235
Training	5,800	5,800	989	4,811
Employee benefits	90,300	90,300	86,668	3,632
Repairs and maintenance	2,400	2,400	115	2,285
Contractual services	10,000	10,000	332	9,668
Salaries	245,900	245,900	251,676	(5,776)
Supplies	11,000	11,000	5,204	5,796
Utilities	500	500	614	(114)
Travel	2,200	2,200	930	1,270
TOTAL ACCOUNTING	370,300	370,300	347,826	22,474
EXECUTIVE				
Capital outlay	1,500	1,500	270	1,230
Training	4,000	4,000	4,285	(285)
Dues, fees and memberships	1,000	1,000	954	46
Employee benefits	67,100	67,100	67,258	(158)
Repairs and maintenance	500	500	-	500
Printing and publishing	18,000	18,000	20,104	(2,104)
Salaries	186,100	186,100	179,324	6,776
Supplies	4,200	4,200	3,074	1,126
Utilities	1,800	1,800	1,069	731
Travel	2,400	2,400	2,728	(328)
TOTAL TREASURER	286,600	286,600	279,066	7,534
PLANNING AND ZONING				
Capital outlay	4,400	4,400	-	4,400
Training	8,600	8,600	725	7,875
Dues, fees and memberships	2,900	2,900	2,443	457
Employee benefits	109,900	109,900	107,871	2,029
Internal charges	1,100	1,100	557	543
Repairs and maintenance	300	300	-	300
Contractual services	105,800	105,800	103,271	2,529
Salaries	326,600	326,600	305,764	20,836
Supplies	2,500	2,500	3,312	(812)
Travel	3,200	3,200	2,877	323
TOTAL PLANNING AND ZONING	565,300	565,300	526,820	38,480
ELECTIONS				
Capital outlay	500	500	202	298
Employee benefits	800	800	83	717
Internal charges	2,600	2,600	669	1,931
Repairs and maintenance	1,500	1,500	695	805
Contractual services	32,000	32,000	10,307	21,693
Salaries	9,000	9,000	1,036	7,964
Supplies	5,000	5,000	2,705	2,295
Travel	700	700	397	303
TOTAL ELECTIONS	52,100	52,100	16,094	36,006
TOTAL GENERAL GOVERNMENT	4,683,800	4,683,800	3,862,501	821,299

(Continued)

CITY OF KENTWOOD

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL
BASIS) AND ACTUAL (CONTINUED)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
PUBLIC SAFETY				
POLICE				
Capital outlay	\$ 75,900	\$ 75,900	\$ 70,148	\$ 5,752
Contractual services	256,400	256,400	221,300	35,100
Dues, fees and memberships	8,700	8,700	8,213	487
Employee benefits	2,121,100	2,121,100	2,074,829	46,271
Travel	265,700	265,700	198,626	67,074
Legal fees	180,000	180,000	183,667	(3,667)
Insurance	97,300	97,300	104,424	(7,124)
Repairs and maintenance	30,300	30,300	35,389	(5,089)
Salaries	5,240,400	5,240,400	4,989,558	250,842
Supplies	236,000	236,000	101,239	134,761
Utilities	170,000	170,000	132,407	37,593
Training	77,500	77,500	46,207	31,293
TOTAL POLICE	8,759,300	8,759,300	8,166,007	593,293
FIRE				
Capital outlay	26,100	26,100	14,153	11,947
Contractual services	134,100	134,100	102,941	31,159
Dues, fees and memberships	4,400	4,400	3,256	1,144
Training	35,900	35,900	16,007	19,893
Employee benefits	1,112,100	1,112,100	1,140,188	(28,088)
Travel	128,900	128,900	97,706	31,194
Insurance	35,200	35,200	33,442	1,758
Repairs and maintenance	27,800	27,800	25,798	2,002
Salaries	2,844,900	2,844,900	2,720,558	124,342
Supplies	123,700	123,700	100,981	22,719
Utilities	108,200	108,200	89,770	18,430
TOTAL FIRE	4,581,300	4,581,300	4,344,800	236,500
TOTAL PUBLIC SAFETY	13,340,600	13,340,600	12,510,807	829,793
ENGINEERING				
Capital outlay	3,000	3,000	8,046	(5,046)
Training	4,100	4,100	1,852	2,248
Dues, fees and memberships	900	900	915	(15)
Employee benefits	117,600	117,600	100,528	17,072
Contractual services	7,500	7,500	443	7,057
Repairs and maintenance	2,000	2,000	490	1,510
Insurance	400	400	934	(534)
Salaries	323,200	323,200	303,083	20,117
Supplies	6,800	6,800	5,891	909
Travel	5,100	5,100	1,352	3,748
TOTAL ENGINEERING	470,600	470,600	423,534	47,066
PUBLIC WORKS				
Capital outlay	14,100	14,100	3,670	10,430
Training	2,500	2,500	721	1,779
Dues, fees and memberships	500	500	267	233
Employee benefits	344,600	344,600	365,041	(20,441)
Insurance	12,000	12,000	13,918	(1,918)
Repairs and maintenance	40,000	40,000	15,343	24,657
Contractual services	50,000	50,000	62,483	(12,483)
Salaries	771,900	771,900	797,400	(25,500)
Supplies	31,500	31,500	37,313	(5,813)
Travel	61,500	61,500	61,004	496
Utilities	31,800	31,800	58,494	(26,694)
Miscellaneous	2,000	2,000	668	1,332
Budget adjustment	-	33,000	-	33,000
TOTAL PUBLIC WORKS	1,362,400	1,395,400	1,416,322	(20,922)
DISTRICT COURT				
Legal Fees	50,000	50,000	65,705	(15,705)
Training	5,000	5,000	2,363	2,637
Dues, fees and memberships	1,800	1,800	1,573	227
Employee benefits	249,900	249,900	252,880	(2,980)
Insurance	4,200	4,200	3,484	716
Repairs and maintenance	43,000	43,000	17,805	25,195

(Continued)

CITY OF KENTWOOD

**SCHEDULE OF EXPENDITURES - BUDGET (MODIFIED ACCRUAL
BASIS) AND ACTUAL (CONTINUED)
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
DISTRICT COURT (CONTINUED)				
Contractual services	\$ 116,300	\$ 116,300	\$ 154,759	\$ (38,459)
Salaries	697,000	697,000	660,361	36,639
Supplies	40,500	40,500	26,776	13,724
Utilities	5,000	5,000	444	4,556
Travel	1,000	1,000	1,014	(14)
TOTAL DISTRICT COURT	1,213,700	1,213,700	1,187,164	26,536
INSPECTIONS				
Capital outlay	-	-	-	-
Dues, fees and memberships	900	900	1,222	(322)
Training	6,700	6,700	5,873	827
Employee benefits	150,800	150,800	157,757	(6,957)
Insurance	2,700	2,700	3,754	(1,054)
Repairs and maintenance	1,600	1,600	-	1,600
Contractual services	1,000	1,000	1,440	(440)
Salaries	390,100	390,100	367,400	22,700
Supplies	8,900	8,900	6,459	2,441
Utilities	2,700	2,700	1,976	724
Travel	8,500	8,500	8,114	386
TOTAL INSPECTIONS	573,900	573,900	553,995	19,905
CULTURE AND RECREATION				
RECREATION				
Capital outlay	4,300	4,300	89	4,211
Training	5,500	5,500	4,148	1,352
Dues, fees and memberships	1,700	1,700	2,029	(329)
Employee benefits	161,700	161,700	154,076	7,624
Contractual services	91,000	91,000	65,537	25,463
Insurance	4,200	4,200	4,849	(649)
Repairs and maintenance	3,500	3,500	415	3,085
Salaries	554,500	554,500	505,666	48,834
Internal charges	23,000	23,000	6,476	16,524
Supplies	187,500	187,500	172,102	15,398
Travel	8,000	8,000	9,897	(1,897)
Utilities	26,800	26,800	20,225	6,575
TOTAL RECREATION	1,071,700	1,071,700	945,509	126,191
LIBRARY				
Capital outlay	2,300	2,300	1,463	837
Insurance	1,900	1,900	1,777	123
Repairs and maintenance	5,000	5,000	3,301	1,699
Contractual services	300	300	264	36
Internal charges	40,000	40,000	14,310	25,690
Supplies	8,900	8,900	8,313	587
Utilities	23,200	23,200	24,339	(1,139)
TOTAL LIBRARY	81,600	81,600	53,767	27,833
TOTAL CULTURE AND RECREATION	1,153,300	1,153,300	999,276	154,024
TOTAL EXPENDITURES	\$ 22,798,300	\$ 22,831,300	\$ 20,953,599	\$ 1,877,701

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KENTWOOD

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2004

	SPECIAL REVENUE FUNDS					
	DPW EQUIPMENT	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING
<u>ASSETS</u>						
Cash and pooled investment	\$ 1,352,321	\$ 1,084,228	\$ 630,894	\$ 136,261	\$ 714,303	\$ 2,363,683
Accounts receivable	-	-	200	-	-	1,580
Mortgage loans receivable	-	-	219,224	76,915	-	-
Due from other governmental units	-	-	-	-	8,262	-
TOTAL ASSETS	\$ 1,352,321	\$ 1,084,228	\$ 850,318	\$ 213,176	\$ 722,565	\$ 2,365,263
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 107,010	\$ 5,965	-	\$ 15	\$ 7,000	\$ 26,920
TOTAL LIABILITIES	107,010	5,965	-	15	7,000	26,920
FUND BALANCES						
Reserved for mortgage loans receivable - Noncurrent portion	-	-	126,224	60,700	-	-
Unreserved						
Designated for parks and recreation	-	-	-	-	-	-
Undesignated	1,245,311	1,078,263	724,094	152,461	715,565	2,338,343
TOTAL FUND BALANCES	1,245,311	1,078,263	850,318	213,161	715,565	2,338,343
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,352,321	\$ 1,084,228	\$ 850,318	\$ 213,176	\$ 722,565	\$ 2,365,263

					DEBT SERVICE FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS	
LANDFILL REMEDIATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOYMENT BENEFITS	PROPERTY AND BUILDING		BUILDING AUTHORITY		
\$ 521,889	\$ 4,602,619	\$ 2,679,229	\$ 338,372	\$ 4,475,495	\$ 911	\$ 18,900,205		
-	-	-	-	-	-	1,780		
-	-	-	-	-	-	296,139		
-	-	120,524		65,194	-	193,980		
\$ 521,889	\$ 4,602,619	\$ 2,799,753	\$ 338,372	\$ 4,540,689	\$ 911	\$ 19,392,104		

\$ 27,199	\$ 32,735	\$ 19,160	\$ -	\$ 36,517		\$ -	\$ 262,521
27,199	32,735	19,160	-	36,517		-	262,521

-	-	-	-	-		-	186,924
-	-	-	-	382,908		-	382,908
494,690	4,569,884	2,780,593	338,372	4,121,264		911	18,559,751
494,690	4,569,884	2,780,593	338,372	4,504,172		911	19,129,583
\$ 521,889	\$ 4,602,619	\$ 2,799,753	\$ 338,372	\$ 4,540,689		\$ 911	\$ 19,392,104

CITY OF KENTWOOD

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS					
	DPW EQUIPMENT	FIRE EQUIPMENT	ECONOMIC DEVELOPMENT	HOUSING COMMISSION	PARKS	STREET LIGHTING
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 172,355	\$ 281,233
Intergovernmental	-	-	-	-	-	-
Charges for services	140,796	-	-	-	-	-
Investment income	18,099	9,206	19,688	1,590	7,176	24,743
Application fees	-	-	19,000	-	-	-
Miscellaneous	-	-	-	2,080	5,000	-
TOTAL REVENUES	158,895	9,206	38,688	3,670	184,531	305,976
EXPENDITURES						
Current						
General government	-	-	32,150	9,808	-	-
Public safety	-	15,000	-	-	-	-
Highways and streets	-	-	-	-	-	348,160
Public works	15,000	-	-	-	-	-
Culture and recreation	-	-	-	-	15,500	-
Capital outlay	188,056	11,485	-	-	70,869	-
Debt service						
Interest expense	-	-	-	-	-	-
Principal	-	-	-	-	-	-
TOTAL EXPENDITURES	203,056	26,485	32,150	9,808	86,369	348,160
REVENUES OVER (UNDER) EXPENDITURES	(44,161)	(17,279)	6,538	(6,138)	98,162	(42,184)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	4,198	3,120	-	-	-	-
Operating transfers in	-	100,000	-	-	-	-
Operating transfers out	(500,000)	-	(30,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(495,802)	103,120	(30,000)	-	-	-
NET CHANGE IN FUND BALANCE	(539,963)	85,841	(23,462)	(6,138)	98,162	(42,184)
FUND BALANCES, BEGINNING OF YEAR	1,785,274	992,422	873,780	219,299	617,403	2,380,527
FUND BALANCES, END OF YEAR	\$ 1,245,311	\$ 1,078,263	\$ 850,318	\$ 213,161	\$ 715,565	\$ 2,338,343

LANDFILL REMEDATION	MUNICIPAL STREET	LOCAL STREET	POST EMPLOYMENT BENEFITS	PROPERTY AND BUILDING	DEBT SERVICE FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS
					BUILDING AUTHORITY		
\$ 258,633	\$ 517,151	\$ -	\$ -	\$ -	\$ -		1,229,372
-	-	709,169	-	-	-		709,169
-	-	-	155,400	-	222,725		518,921
5,244	45,238	26,107	2,029	31,267	490		190,877
-	-	-	-	-	-		19,000
-	300	137,919	-	71,394	-		216,693
263,877	562,689	873,195	157,429	102,661	223,215		2,884,032
-	-	-	12,683	-	-		54,641
-	-	-	-	-	-		15,000
-	47,000	684,735	-	-	-		1,079,895
84,880	-	-	-	-	-		99,880
-	-	-	-	-	-		15,500
-	32,735	6,269	-	925,245	-		1,234,659
-	-	-	-	-	514,274		514,274
-	-	-	-	-	505,000		505,000
84,880	79,735	691,004	12,683	925,245	1,019,274		3,518,849
178,997	482,954	182,191	144,746	(822,584)	(796,059)		(634,817)
-	-	-	-	31,205	-		38,523
-	-	-	-	340,000	796,550		1,236,550
-	-	-	-	(289,184)	-		(819,184)
-	-	-	-	82,021	796,550		455,889
178,997	482,954	182,191	144,746	(740,563)	491		(178,928)
315,693	4,086,930	2,598,402	193,626	5,244,735	420		19,308,511
\$ 494,690	\$ 4,569,884	\$ 2,780,593	\$ 338,372	\$ 4,504,172	\$ 911	\$	19,129,583

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
DPW EQUIPMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Charges for services - internal	\$ 150,000	\$ 150,000	\$ 140,796	\$ (9,204)
Investment income	75,000	75,000	18,099	(56,901)
TOTAL REVENUES	225,000	225,000	158,895	(66,105)
EXPENDITURES				
Current				
Administration	15,000	15,000	15,000	-
Capital outlay	404,300	404,300	188,056	216,244
TOTAL EXPENDITURES	419,300	419,300	203,056	216,244
REVENUES OVER (UNDER) EXPENDITURES	(194,300)	(194,300)	(44,161)	150,139
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	5,000	5,000	4,198	(802)
Transfers out	(500,000)	(500,000)	(500,000)	-
TOTAL OTHER FINANCING SOURCES	(495,000)	(495,000)	(495,802)	(802)
NET CHANGE IN FUND BALANCE	(689,300)	(689,300)	(539,963)	149,337
FUND BALANCE, BEGINNING OF YEAR	1,785,274	1,785,274	1,785,274	-
FUND BALANCE, END OF YEAR	\$ 1,095,974	\$ 1,095,974	\$ 1,245,311	\$ 149,337

CITY OF KENTWOOD

SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FIRE EQUIPMENT FUND

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Investment income	\$ 35,000	\$ 35,000	\$ 9,206	\$ (25,794)
EXPENDITURES				
Current				
Administration	15,000	15,000	15,000	-
Capital outlay	267,500	267,500	11,485	256,015
TOTAL EXPENDITURES	282,500	282,500	26,485	256,015
REVENUES OVER (UNDER) EXPENDITURES	(247,500)	(247,500)	(17,279)	66,991
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	3,120	3,120
Transfers in	215,000	215,000	100,000	(115,000)
TOTAL OTHER FINANCING SOURCES	215,000	215,000	103,120	(111,880)
NET CHANGE IN FUND BALANCE	(32,500)	(32,500)	85,841	(44,889)
FUND BALANCE, BEGINNING OF YEAR	992,422	992,422	992,422	-
FUND BALANCE, END OF YEAR	\$ 959,922	\$ 959,922	\$ 1,078,263	\$ 118,341

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
ECONOMIC DEVELOPMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Investment income	\$ 45,000	\$ 45,000	\$ 19,688	\$ (25,312)
Application fees	23,000	23,000	19,000	(4,000)
TOTAL REVENUES	<u>68,000</u>	<u>68,000</u>	<u>38,688</u>	<u>(29,312)</u>
EXPENDITURES				
Current				
Administration	3,700	3,700	4,395	(695)
Employee benefits	2,200	2,200	2,446	(246)
Contractual services	57,200	57,200	7,200	50,000
Salaries	15,200	15,200	16,193	(993)
Miscellaneous	21,100	21,100	1,916	19,184
TOTAL EXPENDITURES	<u>99,400</u>	<u>99,400</u>	<u>32,150</u>	<u>67,250</u>
REVENUES OVER (UNDER) EXPENDITURES	(31,400)	(31,400)	6,538	37,938
OTHER FINANCING (USES)				
Transfers out	-	-	(30,000)	(30,000)
NET CHANGE IN FUND BALANCE	(31,400)	(31,400)	(23,462)	7,938
FUND BALANCE, BEGINNING OF YEAR	<u>873,780</u>	<u>873,780</u>	<u>873,780</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 842,380</u>	<u>\$ 842,380</u>	<u>\$ 850,318</u>	<u>\$ 7,938</u>

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
HOUSING COMMISSION FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Investment income	\$ 9,000	\$ 9,000	\$ 1,590	\$ (7,410)
Miscellaneous	-	-	2,080	2,080
TOTAL REVENUES	<u>9,000</u>	<u>9,000</u>	<u>3,670</u>	<u>(5,330)</u>
EXPENDITURES				
Current				
Administration	1,600	1,600	2,680	(1,080)
Employee benefits	1,000	1,000	1,108	(108)
Grant expenses	-	-	-	-
Salaries	5,100	5,100	5,675	(575)
Supplies	2,800	2,800	345	2,455
TOTAL EXPENDITURES	<u>10,500</u>	<u>10,500</u>	<u>9,808</u>	<u>692</u>
NET CHANGE IN FUND BALANCE	(1,500)	(1,500)	(6,138)	(4,638)
FUND BALANCE, BEGINNING OF YEAR	<u>219,299</u>	<u>219,299</u>	<u>219,299</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 217,799</u>	<u>\$ 217,799</u>	<u>\$ 213,161</u>	<u>\$ (4,638)</u>

CITY OF KENTWOOD

SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
PARKS FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 181,300	\$ 181,300	\$ 172,355	\$ (8,945)
Intergovernmental	675,000	675,000	-	(675,000)
Investment income	45,000	45,000	7,176	(37,824)
TOTAL REVENUES	901,300	901,300	184,531	(716,769)
EXPENDITURES				
Current				
Administration	15,000	15,000	15,500	(500)
Capital outlay	928,000	928,000	70,869	857,131
TOTAL EXPENDITURES	948,000	948,000	86,369	861,631
NET CHANGE IN FUND BALANCE	(46,700)	(46,700)	98,162	144,862
FUND BALANCE, BEGINNING OF YEAR	617,403	617,403	617,403	-
FUND BALANCE, END OF YEAR	\$ 570,703	\$ 570,703	\$ 715,565	\$ 144,862

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
STREET LIGHTING FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL AMOUNT</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>		
REVENUES				
Taxes	\$ 294,900	\$ 294,900	\$ 281,233	\$ (13,667)
Investment income	125,000	125,000	24,743	(100,257)
TOTAL REVENUES	<u>419,900</u>	<u>419,900</u>	<u>305,976</u>	<u>(113,924)</u>
EXPENDITURES				
Current				
Administrative	25,000	25,000	25,300	(300)
Utilities	325,000	325,000	319,232	5,768
Maintenance	1,500	1,500	-	1,500
Miscellaneous	10,000	10,000	3,628	6,372
TOTAL EXPENDITURES	<u>361,500</u>	<u>361,500</u>	<u>348,160</u>	<u>13,340</u>
NET CHANGE IN FUND BALANCE	58,400	58,400	(42,184)	(100,584)
FUND BALANCE, BEGINNING OF YEAR	<u>2,380,527</u>	<u>2,380,527</u>	<u>2,380,527</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,438,927</u>	<u>\$ 2,438,927</u>	<u>\$ 2,338,343</u>	<u>\$ (100,584)</u>

CITY OF KENTWOOD

SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
LANDFILL REMEDIATION FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 272,000	\$ 272,000	\$ 258,633	\$ (13,367)
Investment income	17,500	17,500	5,244	(12,256)
TOTAL REVENUES	289,500	289,500	263,877	(25,623)
EXPENDITURES				
Current				
Administration	23,000	23,000	23,300	(300)
Landfill expense	92,000	92,000	61,580	30,420
TOTAL EXPENDITURES	115,000	115,000	84,880	30,120
NET CHANGE IN FUND BALANCE	174,500	174,500	178,997	4,497
FUND BALANCE, BEGINNING OF YEAR	315,693	315,693	315,693	-
FUND BALANCE, END OF YEAR	\$ 490,193	\$ 490,193	\$ 494,690	\$ 4,497

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
MUNICIPAL STREET FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	AMENDED		
REVENUES				
Taxes	\$ 544,100	\$ 544,100	\$ 517,151	\$ (26,949)
Investment income	150,000	150,000	45,238	(104,762)
Miscellaneous	-	-	300	300
TOTAL REVENUES	694,100	694,100	562,689	(131,411)
EXPENDITURES				
Current				
Administrative	47,000	47,000	47,000	-
Maintenance	5,000	5,000	-	5,000
Capital outlay	200,000	200,000	32,735	167,265
TOTAL EXPENDITURES	252,000	252,000	79,735	172,265
REVENUES OVER EXPENDITURES	442,100	442,100	482,954	40,854
OTHER FINANCING USES				
Transfers out	(1,700,000)	(1,700,000)	-	1,700,000
NET CHANGE IN FUND BALANCE	(1,257,900)	(1,257,900)	482,954	1,740,854
FUND BALANCE, BEGINNING OF YEAR	4,086,930	4,086,930	4,086,930	-
FUND BALANCE, END OF YEAR	\$ 2,829,030	\$ 2,829,030	\$ 4,569,884	\$ 1,740,854

CITY OF KENTWOOD

SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
LOCAL STREET FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Intergovernmental	\$ 700,500	\$ 700,500	\$ 709,169	\$ 8,669
Investment income	125,000	125,000	26,107	(98,893)
Miscellaneous	40,000	40,000	137,919	97,919
TOTAL REVENUES	865,500	865,500	873,195	7,695
EXPENDITURES				
Current				
Engineering	10,000	10,000	83,300	(73,300)
Administrative	63,000	63,000	63,800	(800)
Maintenance	450,000	450,000	337,779	112,221
Snow and ice removal	180,000	180,000	187,264	(7,264)
Traffic control	50,000	50,000	10,190	39,810
Miscellaneous	2,000	2,000	2,402	(402)
Capital outlay	162,000	162,000	6,269	155,731
TOTAL EXPENDITURES	917,000	917,000	691,004	225,996
REVENUE OVER (UNDER) EXPENDITURES	(51,500)	(51,500)	182,191	233,691
OTHER FINANCING SOURCE				
Transfers in	110,000	110,000	-	(110,000)
NET CHANGE IN FUND BALANCE	58,500	58,500	182,191	123,691
FUND BALANCE, BEGINNING OF YEAR	2,598,402	2,598,402	2,598,402	-
FUND BALANCE, END OF YEAR	\$ 2,656,902	\$ 2,656,902	\$ 2,780,593	\$ 123,691

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
POST EMPLOYMENT BENEFITS**

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNT		ACTUAL	VARIANCE
	ORIGINAL	AMENDED	AMOUNT	POSITIVE (NEGATIVE)
REVENUES				
Charges for services - internal	\$ -	\$ 82,200	\$ 155,400	\$ (73,200)
Investment income	-	4,000	2,029	1,971
TOTAL REVENUES	-	86,200	157,429	(71,229)
EXPENDITURES				
Current				
Benefits	-	11,600	12,683	(1,083)
NET CHANGE IN FUND BALANCE	-	74,600	144,746	70,146
FUND BALANCE, BEGINNING OF YEAR	193,626	193,626	193,626	-
FUND BALANCE, END OF YEAR	\$ 193,626	\$ 268,226	\$ 338,372	\$ 70,146

CITY OF KENTWOOD

**SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -
PROPERTY AND BUILDING FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Investment income	\$ 275,000	\$ 275,000	\$ 31,267	\$ (243,733)
Miscellaneous	-	-	71,394	71,394
TOTAL REVENUES	275,000	275,000	102,661	(172,339)
EXPENDITURES				
Capital outlay	11,239,600	1,129,500	925,245	204,255
REVENUES OVER(UNDER) EXPENDITURES	(10,964,600)	(854,500)	(822,584)	31,916
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	50,000	50,000	31,205	(18,795)
Transfers in	845,000	95,000	340,000	245,000
Transfers out	(610,000)	(768,600)	(289,184)	479,416
TOTAL OTHER FINANCING SOURCES (USES)	285,000	(623,600)	82,021	705,621
NET CHANGE IN FUND BALANCES	(10,679,600)	(1,478,100)	(740,563)	737,537
FUND BALANCE, BEGINNING OF YEAR	5,244,735	5,244,735	5,244,735	-
FUND BALANCE, END OF YEAR	\$ (5,434,865)	\$ 3,766,635	\$ 4,504,172	\$ 737,537

FIDUCIARY FUNDS

CITY OF KENTWOOD

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND**

FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>ASSETS</u>				
Cash	\$ 165,129	\$ 75,602,912	\$ (75,489,656)	\$ 278,385
<u>LIABILITY</u>				
Due to other governmental units	\$ 165,129	\$ 75,602,912	\$ (75,489,656)	\$ 278,385

**INTERNAL CONTROL
AND
COMPLIANCE**



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 17, 2004

Honorable Mayor and City Commissioners
City of Kentwood, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Kentwood, Michigan, as of and for the year ended June 30, 2004 and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Kentwood, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kentwood, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson

Continuing Disclosure Filing

City of Kentwood County of Kent, State of Michigan



*Fiscal Year Ended
June 30, 2004*

LIST OF CURRENT
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's Securities Evaluations, Inc.

J.J. Kenny Repository

55 Water Street, 45th Floor

New York, New York 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

E-mail: nrmsir_repository@sandp.com

Bloomberg Municipal Repository

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

E-mail: Munis@Bloomberg.com

FT Interactive Data

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390

E-mail: NRMSIR@FTID.com

DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

E-mail: nrmsir@dpcdata.com

STATE INFORMATION DEPOSITORY

Municipal Advisory Council of Michigan

1445 First National Building

Detroit, Michigan 48226-3517

Phone: (313) 963-0420

Fax: (313) 963-0943

E-mail: mac@macmi.com

MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of Kentwood, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- ☐ Nine-digit number(s) to which the information relates:
☒ Information relates to **all securities** issued by the issuer having the following six-digit number (s):
491735, 491728

Number of pages of attached information:

Description of Material Event Notice / Financial Information (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-Payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. _____ Modifications to rights of securities holders
8. _____ Bond calls
9. _____ Defeasances
10. _____ Release, substitution, or sale of property securing repayment of the securities
11. _____ Rating changes
12. _____ Failure to provide annual financial information as required
13. _____ Other material event notice (specify) New Bond Issue
14. X _____ Financial information*: Please check all appropriate boxes:

☒ CAFR: (a) ☐ include ☒ does not include Annual Financial Information

(b) Audited? Yes ☒ No ☐

☒ Annual Financial Information: Audited? Yes ☐ No ☒

☐ Operating Data

Fiscal Period Covered: June 30, 2004

*Financial information should not be filed with the MSRB

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: Thomas H. Chase

Name: Thomas H. Chase Title: Finance Director

Employer: City of Kentwood

Address: 4900 Breton Ave., SE, P.O. Box 8848

City, State, Zip Code: Kentwood, Michigan 49518-8848

Voice Telephone Number: (616) 698-9610

City of Kentwood
Taxable Value
Fiscal Years Ended or Ending June 30, 2001 Through 2005

Assessed Value as of December 31	Year of State Equalization And Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	\$1,532,989,027	\$36,853,198	\$1,569,842,225	4.53%
2000	2001	2002	1,636,140,691	40,206,860	1,676,347,551	6.78
2001	2002	2003	1,734,711,536	41,556,871	1,776,268,407	5.96
2002	2003	2004	1,774,165,427	42,814,362	1,816,979,789	2.29
2003	2004	2005	1,826,173,501	33,394,953	1,859,568,454	2.34
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2005 (2).....						\$41,091

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the City's 2000 Census of 45,255.

Source: City of Kentwood

City of Kentwood
Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2001 Through 2005

	Fiscal Years Ended or Ending June 30				
Use	2001	2002	2003	2004	2005
Commercial	\$ 447,961,679	\$ 481,268,446	\$ 524,438,362	\$ 529,557,569	\$ 537,146,512
Industrial.....	476,910,690	507,961,354	519,716,228	519,737,982	545,528,854
Residential	622,006,456	663,299,551	707,509,717	742,337,138	781,242,073
Utility	22,963,400	23,818,200	24,604,100	25,347,100	28,469,905
	<u>\$ 1,569,842,225</u>	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>	<u>\$ 1,892,387,344</u>
Class	2001	2002	2003	2004	2005
Real Property	\$ 1,277,494,868	\$ 1,364,435,176	\$ 1,460,649,368	\$ 1,512,523,223	\$ 1,586,122,839
Personal Property.....	292,347,357	311,912,375	315,619,039	304,456,566	306,264,505
	<u>\$ 1,569,842,225</u>	<u>\$ 1,676,347,551</u>	<u>\$ 1,776,268,407</u>	<u>\$ 1,816,979,789</u>	<u>\$ 1,892,387,344</u>

Source: City of Kentwood

City of Kentwood
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2001 Through 2005

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
1999	2000	2001	\$1,656,553,302	\$72,702,700	\$1,730,105,702	4.42%
2000	2001	2002	1,761,925,101	80,168,400	1,842,093,501	6.47
2001	2002	2003	1,866,638,401	82,812,800	1,949,451,201	5.83
2002	2003	2004	1,915,569,451	85,326,300	1,997,895,751	2.48
2003	2004	2005	1,984,700,850	66,487,700	2,051,188,550	2.67
Per Capita Total SEV for the Fiscal Year Ending June 30, 2005 (2)						\$45,325

(1) See "Tax Abatement" herein.

(2) Based on the City's 2000 Census of 45,255.

Source: City of Kentwood

City of Kentwood
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2001 Through 2005

Use	Fiscal Years Ended or Ending June 30				
	2001	2002	2003	2004	2005
Commercial	\$ 502,869,002	\$ 530,775,701	\$ 567,597,101	\$ 568,411,601	\$ 582,210,200
Industrial	528,880,100	566,100,000	579,327,700	577,289,450	565,033,900
Residential	674,543,500	721,399,600	777,922,300	826,847,600	873,766,450
Utility	22,963,400	23,818,200	24,604,100	25,347,100	30,178,000
	<u>\$ 1,729,256,002</u>	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</u>	<u>\$ 2,051,188,550</u>

Class	2001	2002	2003	2004	2005
Real Property	\$ 1,413,616,000	\$ 1,503,937,200	\$ 1,607,417,300	\$ 1,666,668,350	\$ 1,743,215,950
Personal Property	315,640,002	338,156,301	342,033,901	331,227,401	307,972,600
	<u>\$ 1,729,256,002</u>	<u>\$ 1,842,093,501</u>	<u>\$ 1,949,451,201</u>	<u>\$ 1,997,895,751</u>	<u>\$ 2,051,188,550</u>

Source: City of Kentwood

Tax Abatement

The City's SEV and Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the SEV level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT or CFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied.

For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the state tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State of Michigan on June 30, 1986 and tax abatements granted to commercial facilities under Act 255 have expired.

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$66,487,700 for the fiscal year ending June 30, 2005. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$33,394,953 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Kentwood
Maximum Operating Tax Rates
Fiscal Year Ending June 30, 2005**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Cumulative Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
General Operating (1)	3.0000	0.9983	2.9946
Police and Fire (1).....	3.8000	0.9983	3.7932
Parks (2)	0.1000	0.9983	0.0998
Streets and Bridges (2)	0.3000	0.9983	0.2995
Landfill Remediation (3).....	0.1500	0.9983	0.1497
Street Lighting (4).....	0.5000	1.0000	0.5000

(1) Authorized by the City Charter.

(2) Authorized by the City's electorate through 2014.

(3) Authorized by the City's electorate through 2009.

(4) Special assessment on all real property within the City approved annually by the City Commission.

Source: City of Kentwood

**City of Kentwood
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2001 Through 2005**

<u>Levy July 1</u>	<u>Fiscal Years Ended or Ending June 30</u>	<u>General Operating (1)</u>	<u>Police and Fire (1)</u>	<u>Parks (2)</u>	<u>Streets and Bridges (2)</u>	<u>Landfill Remediation (3)</u>	<u>Street Lighting (4)</u>	<u>Total</u>
2000	2001	\$2.9946	\$3.7932	\$0.0998	\$0.2995	\$0.1497	\$0.1950	\$7.5318
2001	2002	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2002	2003	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2003	2004	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318
2004	2005	2.9946	3.7932	0.0998	0.2995	0.1497	0.1950	7.5318

(1) Authorized by the City Charter.

(2) Authorized by the City's electorate through 2014.

(3) Authorized by the City's electorate through 2009.

(4) Special assessment on all real property within the City approved annually by the City Commission.

Source: City of Kentwood

City of Kentwood
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2000 Through 2004

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of Kentwood	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent	5.3551	5.3340	5.3230	5.3140	5.3140
State of Michigan	6.0000	6.0000	6.0000	6.0000	5.0000
Kentwood Public Schools (2)	5.3979	5.3951	5.3951	5.3922	5.3922
Kent Intermediate School District	3.8625	3.8430	3.8299	3.8192	3.7903
Grand Rapids Community College	1.8201	1.8109	1.8049	1.8000	1.7865
Interurban Transit Authority	0.0000	0.7500	0.7300	0.7480	0.7603
Kentwood District Library Authority	0.6431	0.8400	0.8787	0.8769	0.8710
Total	<u>\$30.6015</u>	<u>\$31.5048</u>	<u>\$31.4934</u>	<u>\$31.4821</u>	<u>\$30.4461</u>

City of Kentwood
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2000 Through 2004

<u>Governmental Unit</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of Kentwood	\$7.5318	\$7.5318	\$7.5318	\$7.5318	\$7.5318
County of Kent	5.3551	5.3340	5.3230	5.3140	5.3140
State of Michigan	6.0000	6.0000	6.0000	6.0000	5.0000
Kentwood Public Schools (2)	23.3979	23.3951	23.3951	23.3922	23.3922
Kent Intermediate School District	3.8625	3.8430	3.8299	3.8192	3.7903
Grand Rapids Community College	1.8201	1.8109	1.8049	1.8000	1.7865
Interurban Transit Authority	0.0000	0.7500	0.7300	0.7480	0.7603
Kentwood District Library Authority	0.6431	0.8400	0.8787	0.8769	0.8710
Total	<u>\$48.6105</u>	<u>\$49.5048</u>	<u>\$49.4934</u>	<u>\$49.4821</u>	<u>\$48.4461</u>

- (1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-principal residence* is property not included in the above definition.
- (2) The Kentwood Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. The lowest and highest non-principal residence millage rates for the other overlapping school districts for the fiscal year ending June 30, 2004 ranged from \$22.7044 to \$25.5424 for each \$1,000 of Taxable Value, respectively. The total tax rates for property owners in other school districts would change accordingly.

Source: City of Kentwood

City of Kentwood
Property Tax Collections (1)
Fiscal Years Ended or Ending June 30, 2001 Through 2005

July 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>June 30</u>	<u>Tax Levy</u>	Collections to March 1 <u>Following Levy</u>	Percent Collected
2000	2001	\$ 11,761,554	\$ 11,500,890	97.8%
2001	2002	12,574,081	12,275,774	97.6
2002	2003	13,316,321	12,954,846	97.3
2003	2004	13,593,459	13,256,712	97.5
2004	2005	13,949,744	(In collection process)	

(1) Includes the value of property granted tax abatement under Acts 198 and 255. See "Tax Abatement" herein.
Source: City of Kentwood

City of Kentwood
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2005

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent of <u>Total (2)</u>
Steelcase Corporation (3).....	Office Furniture.....	\$ 93,647,157	\$ 3,258,200	\$ 96,905,357	5.33%
Woodland Mall	Shopping Center.....	36,704,993	0	36,704,993	2.02
Lacks Industries, Inc.	Automotive Supplier.	16,902,271	10,466,100	27,368,371	1.51
Knoll North America.....	Office Furniture.....	19,753,700	3,111,000	22,864,700	1.26
Meridian Automotive.....	Automotive Supplier.	21,079,565	1,495,300	22,574,865	1.24
Holland Home	Senior Housing.....	20,535,587	0	20,535,587	1.13
Auto Cam Corporation.....	Automotive Supplier.	16,849,483	2,785,100	19,634,583	1.08
Robert Grooters Devel. Co....	Real Estate.....	19,036,849	0	19,036,849	1.05
Consumers Energy	Utility	17,634,583	0	17,634,583	0.97
Franklin Kentwood LLC	Real Estate.....	13,693,800	0	13,693,800	0.75
		<u>\$275,837,988</u>	<u>\$ 21,115,700</u>	<u>\$296,953,688</u>	<u>16.34%</u>

- (1) See "Tax Abatement" herein.
(2) Based on \$1,816,979,789 which is the City's Total Taxable Value for the fiscal year ended June 30, 2004. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.
(3) Steelcase, Inc. has filed real and personal property assessment appeals. The outcome and the impact of the appeals on the City's operating revenues and revenues available to pay debt service on the Bonds is unknown.

Source: City of Kentwood

City of Kentwood
Revenues From the State of Michigan
Fiscal Years Ended or Ending June 30, 2001 Through 2005

	Fiscal Years Ended or Ending June 30				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 (2)</u>
State Sales Tax	\$ 4,078,474	\$ 4,018,692	\$ 3,919,974	\$ 3,523,668	\$ 3,526,300
Liquor License Fees	<u>16,146</u>	<u>17,404</u>	<u>16,586</u>	<u>20,235</u>	<u>16,000</u>
Total Revenues From the State of Michigan	<u>\$ 4,094,620</u>	<u>\$ 4,036,096</u>	<u>\$ 3,936,560</u>	<u>\$ 3,543,903</u>	<u>\$ 3,542,300</u>
Percent of General Fund Revenue	21.19%	20.40%	18.42%	16.56%	14.67%

(1) As estimated

(2) As budgeted.

Source: City of Kentwood

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of December 2, 2004.

Debt Limit (1)	\$ 199,789,575
Debt Outstanding.....	\$17,660,000
Less: Exempt Debt.....	<u>0</u>
Legal Debt Margin.....	<u>\$ 182,129,575</u>

(1) 10% of \$1,997,895,751 which is the City's Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198.

Source: Municipal Advisory Council of Michigan and the City of Kentwood.

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of October 16, 2003 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City's General Fund.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated October 16, 2003	\$ 9,615,000	\$ 0	\$ 9,615,000
Building Authority Bonds:			
Dated June 1, 2001 (LT)	8,045,000	0	8,045,000
Total	<u>\$ 17,660,000</u>	<u>\$ 0</u>	<u>\$ 17,660,000</u>
Per Capita Net City Direct Debt (2)			\$390.23
Percent of Net Direct Debt to Total SEV (3)			0.88%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Percent of Gross</u>	<u>City Share</u>
Kentwood School District	\$ 115,345,000	69.91%	\$ 80,637,690
Caledonia School District	100,137,674	15.66	15,681,560
Forest Hills School District	205,170,000	6.04	12,392,268
Kelloggsville School District	19,225,000	36.80	7,074,800
Kent County	86,945,000	10.22	8,885,779
Grand Rapids Community College	60,195,000	9.95	5,989,403
Totals	<u>\$ 587,017,674</u>		<u>\$ 130,661,500</u>
Per Capita Net Overlapping Debt (1)			\$2,887.23
Percent of Net Overlapping Debt to Total SEV (2)			6.54%
Per Capita Net Direct and Overlapping Debt (1)			\$3,277.46
Percent of Net Direct and Overlapping Debt to Total SEV (2)			7.42%

(1) Based on the City's 2000 Census of 45,255.

(2) Based on \$1,997,895,751 which is the City's Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: Municipal Advisory Council of Michigan and City of Kentwood.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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LOCAL AUDIT & FINANCE DIV.

December 17, 2004

Honorable Mayor and City Commissioners
Kentwood, Michigan

In planning and performing our audit of the financial statements of the City of Kentwood for the year ended June 30, 2004, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matter. This letter does not affect our report dated December 17, 2004 on the financial statements of the City of Kentwood.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Sincerely,

Rehmann Robson

MEMORANDUM

TO: City of Kentwood Mayor and City Commission
FROM: Rehmann Robson
DATE: December 17, 2004
REGARDING: City operating activities

DEPOSIT AND INVESTMENT RISK DISCLOSURE

The Governmental Accounting Standards Board has issued GASB Statement No. 40, "Deposit and Investment Risk Disclosure." This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The timetable for implementing this statement is for fiscal years beginning after June 15, 2004. Some of the highlights of the new model include:

- Limiting the disclosure requirements currently required by GASB Statement No. 3 regarding deposit and investment custodial credit risk.
- Requiring disclosure of credit and interest rate risk information for specific investments.
- Disaggregation of deposits and investments for disclosure purposes.

This statement may represent a significant change in how your government discloses its deposit and investment balances at year end. We recommend you begin a process of determining the key implementation issues and assessing any modifications needed to properly implement the new statement.

SPECIAL ASSESSMENT BALANCE

During our audit we noted the Special Assessment Deferred Payback Fund is currently holding balances received from special assessments which have been collected on the behalf of other entities. We suggest that timely distribution of collected special assessments be made to those other entities.

POLICIES

During our audit we noted that the City had not prepared and approved policies related to credit card and ACH transactions. Recent state law has mandated governmental entities to have Board approved policies over these transactions when credit card and ACH transactions are utilized. We suggest that the City prepare and adopt policies to comply with current state requirements.

INTERNAL CONTROLS

During the past several years we noted that City Finance Department staffing levels have changed as have applicable software and software utilization. Due to these changes, we suggested that a thorough review of applicable internal controls and software procedures be performed to assure that efficient and effective procedures are in place to assure appropriate internal controls.